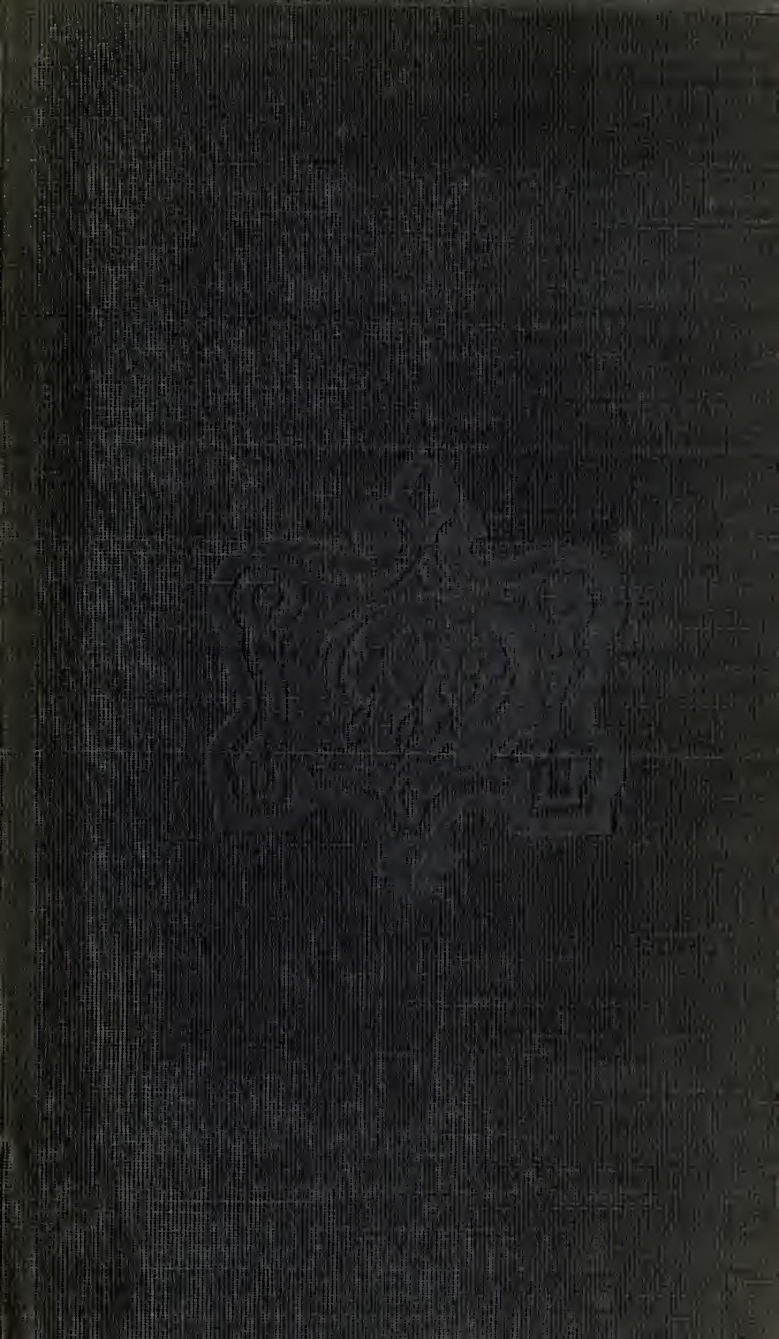

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A

TREATISE

ON

POLITICAL ECONOMY,

BY

GEORGE OPDYKE.

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PREFACE.

The present brief Treatise originated in an effort to ascertain the true commercial policy of our country. That effort was commenced some years ago, and was first directed to an examination of the arguments presented in favor of the Protective system, and the Revenue Tariff system, which, it is well known, are the only two lines of commercial policy that have been adopted by our government or advocated by any considerable number of our people. Meeting with nothing in that quarter which could be fairly regarded as a demonstration of the soundness of either system, or as a satisfactory solution of the main question, the author next resolved to investigate the subject for himself—not by consulting elaborate works on Political Econony, (the source whence others have imbibed such opposite views,) but by an original inquiry.

In pursuance of that design, an investigation of the problems of Commerce was entered upon. A mere glance at the subject sufficed to show that the intimate connexion between Commerce and Money must necessarily render the inquiry a fruitless one, unless it were made to embrace a consideration of the latter Nor had much progress been made in this direction before it also became apparent that the principles involved in both commercial and monetary problems were so dependent on

other and more general principles of Political Economy, that it would be quite impossible to frame satisfactory theories with regard to them, without having first explored the whole of that vast field. The inquiry was accordingly extended to these broader limits.

After a careful investigation of the whole subject, the author succeeded in framing a general theory, which appeared to his own mind to be not only consistent in all its parts, but unexceptionable as a whole. A subsequent examination of some of the best economic treatises extant, served to confirm this impression; for while the theory was found to differ in many important features from that of any other writer, a careful examination of the points of difference convinced the present writer that his own views were correct. This conviction naturally suggested the idea of elaborating the inquiry into a brief but systematic Treatise, to be submitted to the judgment of others.

After some hesitation, growing out of the author's distrust of his ability to perform such a task either with credit to himself or with advantage to others, it was decided to adopt that suggestion. The attempt was accordingly made, and, in the midst of more engrossing occupations, persisted in, until the work had been moulded into the form in which it is here presented, or very nearly so. The effort was then abandoned and the manuscript thrown aside, under the conviction that neither the logic nor the language was sufficiently accurate for a work making pretensions to the character of a scientific treatise. That conviction is still felt, and it is not unlikely that it would have still deterred the writer from venturing on the present step, had not his interest in the subject been renewed and strengthened by meeting with the elaborate work of John Stuart Mill, which

made its appearance in the year 1848, shortly after the period just referred to. From the known ability of that author, not less than from his prior efforts on kindred topics, we had a right to expect from him a more perfect exposition of the truths of Political Economy than had before appeared in any quarter. Nor was that expectation greatly disappointed. All who are familiar with the subject must admit that his treatise is more systematic and comprehensive, and, as a whole, more truthful than that of any other laborer in the same field. Nevertheless, it is far from being perfect. A careful examination of it has convinced the present writer that it contains numerous errors, some of which are so fundamental that their virus pervades the whole work, and vitiates many of its conclusions. Besides, like most other scientific works on this subject, it is the production of one who has been reared and educated under political institutions very different from ours; and it is chiefly designed to meet the wants of British readers. For these reasons we must expect to find it imbued with ideas and opinions in which we cannot concur, as well as incumbered with discussions of no direct interest to us. What we republicans need, is a system of Political Economy in perfect harmony with the other portions of our political edifice. In other words, we want an honest, straight-forward system—a system grounded on the broad principles of Justice and Equality, and in all its doctrines and legislative applications solely designed to illustrate and enforce those principles. We have no right to look for anything of this kind from quarters in which the opposite principles of government are taught and practised upon; but we have a right to expect it from Americans. Indeed we are clearly required to devise such a system for our own guidance: our duty to ourselves

and to the form of government we have adopted, alike demand it. Nor can we much longer neglect this duty without forfeiting our claims to the title of consistent Republicans.

Viewing the subject in this light, and believing that the suggestions herein contained can scarcely fail to contribute something to the advancement of this important branch of political science, the author has finally determined to place his effort before the public. He submits it for the consideration of other inquirers, and asks attention to it, not as a correct and finished treatise, but as a rudely drafted model of what such a treatise should be. If it shall be found to merit even this character, it must prove useful, since it will serve to furnish hints to those who have the ability and leisure requisite for the elaboration of a perfect system.

But while such is the general design of this volume, it is proper to state that its composition and publication have been specially prompted by the author's desire to disseminate his peculiar views on the subject of Money. These views constitute one of the sections of a connected system, and therefore could not be presented separately without destroying a part of the evidence on which they rest. They possess the equivocal merit of originality, to say the least. It is hoped, indeed, that they possess more substantial merits; but of this the reader must judge. They will be found, upon examination, to embrace the outlines of a plan for furnishing a paper currency, which, although irredeemable, and therefore free from cost of production, will, it is believed, perform the offices of money much better than either bank notes or coin.

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A TREATISE ON POLITICAL ECONOMY.

INTRODUCTION.

Political Economy, as usually defined, is the science that treats of the general principles and laws which affect the production, distribution and consumption of things having an exchangeable value. This definition appears to me unobjectionable for one so concise. It is compact, yet sufficiently precise for ordinary purposes. But when an individual inquirer attempts to shed additional light on a scientific subject—when he ventures to submit his peculiar views to public inspection, in the hope of impressing on the minds of others the convictions which rest upon his own—it is alike customary and useful for him, at the outset, to mark with clearness and precision the boundaries within which his speculations will be found.

To the end that I may do this in a manner that will be perfectly intelligible to the reader, I will first ask him to join me in a bird's-eye view of the entire domain of human knowledge. By this means we shall see not only the position and limits of the small section of knowledge that I am about to explore and hope to enlarge, but its relations to neighboring sections with which its principles are more or less interlinked.

Knowledge is, perceived and comprehended truth—truth revealed to the understanding—ascertained truth. But what is *truth?* Those who are deeply versed in the origin and meaning of words, and in the philosophy of language, have answered, that, in the scientific sense, this term merely denotes the distinguishing attribute of one class of propositions or assertions, as falsehood does that of another. In Mill's system of logic, for example, it is maintained that all truth, and all error, lie in propositions; that there is no such substantive thing as truth, but merely such a quality as the true, and that this is exclusively confined to one class of propositions, or assertions and denials. Now, although this view of the subject is presented by one who ranks deservedly high in letters and philosophy, yet, I cannot but regard it as unsound and untenable. No such thing as Truth! How then, I would ask, can there be in propositions, such qualities as the true and the false? Why has the concrete name *truth*, been coined, as well as the abstract name, *trueness*, unless the *thing* exists corresponding with the former? With what propriety could we speak of warmness, or of a warm object, if no such thing as caloric existed? These and similar questions which might be put, cannot, I apprehend, receive satisfactory answers without first admitting the substantive existence of Truth. As a portion of the Universe, it is too important and all-pervading to be confined within the narrow limits of one class of propositions. It would be much nearer its real character, as it seems to me, to call it the essential portion of all things. The votaries of philosophy and science have, in all ages, characterised their own labors as efforts to ascertain truth; and surely they did not mean to admit, much less assert, that they were pursuing a nonentity; nor are they liable to the

charge of having committed so great an absurdity. Every particle of our knowledge concurs in giving unmistakable evidence that Truth is a real existence, since these particles of knowledge are nothing less than sections of truth impressed upon our minds,—nothing less, indeed, than witnesses testifying to the fact of their own existence and presence. Universal Truth we may regard as divided into two regions, one of which is termed Knowledge, the other Ignorance, or the known and the unknown. Now our existing stock of knowledge can be nothing else than that portion of truth which has been revealed to the human mind; and it has ever been the aim of scientific inquirers to enlarge its boundaries by rolling back the dark mantle which separates the regions of the known from the unknown. They trace up a given line of truth to the point where earlier explorers had left off, and then, summoning to their aid every instrumentality at their command, push back the curtain which conceals its hidden links; and the moment these are exposed to the mental vision their image is impressed on the mind, which, in its turn, strikes off a duplicate in the form of propositions, where the image may be seen, and its counterpart impressed on an indefinite number of other minds. The reason, therefore, why some propositions are called true, is, because they are counterparts of truth; i. e., they embody, and represent to the mind, the image or likeness of facts, or portions of truth. Other propositions are called false because that image is absent.

The latest philosophical classification of things is the following: 1, Feelings; 2, Minds; 3, Bodies; 4, Attributes. It is held that every namable thing may be grouped under one or other of these heads—indeed, some metaphysicians, rejecting the fourth class as superfluous

and improper, hold that the first three fairly include all things. Now, it is apparent that Truth cannot be classed under either the first or the second head; nor can it, with any degree of propriety, be called a Body, since in the usual acceptation of the term, a body consists of matter—or rather, it is a thing so far material as to come under the cognizance of one or more of the external senses. Finding no place for Truth in either of these general classes, logicians shove it aside, calling it an attribute, and after appropriating it to one class of propositions, deny that it exists anywhere else. They seem to have forgotten that we have an internal sense, competent to take cognizance of things of which the external senses are utterly incapable. The immateriality of truth is too absolute to make any impression on the latter, but this is the very quality which fits it for assimilating with the mind, and thus impressing our consciousness. For example, that immaterial force (termed Gravity) which binds the universe together, still remains occult to the outward senses, although the mind has been familiar with the fact of its existence for centuries. In making that discovery, the senses did nothing more than to point out certain phenomena, which were the effects of some hidden cause or agency; but with this hint, ordinary minds were able to perceive the existence of the agent itself, while the comprehensive mind of Newton was able to trace it up to other worlds, and to demonstrate its universality. Gravity, therefore, is an existence, but it is neither a Feeling, a Mind, nor a Body. What then is it? I answer that it is a Law of Nature, and that it belongs to a class of namable things which philosophers have altogether omitted in their categories: namely, Facts or Principles, or in the concrete, Truth.

It will be seen from what precedes, that I regard the term Truth in its widest sense, as denoting that class of things which consists of the Laws of Nature and their derivatives, including all the principles and facts resulting from them. If this view of the matter be a correct one, then that which the term denotes is neither more nor less than the omnipresence of the Deity, or, in other words, the external manifestations of the Author of nature in His works, of which the everywhere present and controlling power of the sun within our solar system is a faint emblem.

Such is Truth, according to the conceptions I have formed of it; and in evidence of the correctness of this view of the subject, it may be remarked, that if we knew all the laws of nature and their derivatives, we should be omniscient. It is well known, however, that it has not pleased the Creative Power to endow humanity with an unlimited capacity for the perception and comprehension of these laws. The powers of the human mind, although exceedingly elastic, and gifted with a wide range of action, are, nevertheless, finite. They can take cognizance of only such laws of nature as happen to be within their ordained sphere of action, and of these only such sections as are found to correspond with them in magnitude, character, and attributes. It is well known, for instance, that whenever we attempt to trace a line of truth or law of nature, either up to its original source, or down to its ultimate subdivisions, we are alike bewildered by the vastness of the one, and by the minuteness of the others. And it may well be that there are laws of nature or sections of truth which differ so completely in quality and character from the human mind, that the latter is not only incapable of perceiving and comprehending them, but even of conceiving them to exist.

After this preamble, in explanation of the nature of truth, it will not be difficult to mark out the boundaries of that division of it, which, by having its image impressed on the understanding of mankind, has been converted into knowledge. This division is capable of being made co-extensive with the domain of thought, but at present it is much smaller.

The aggregate of knowledge has been, with apparent propriety, divided into the following classes: 1, A knowledge of the laws which link together causes and their consequents, including all the principles and facts connected with the succession of phenomena; 2, of the facts, principles and laws which relate to co-existences; 3, of those which relate to simple existences; 4, of such as relate to resemblances. To these is added a distinct but subordinate class, consisting of a knowledge of such facts as are involved in verbal propositions and relate to the meaning of words.

Under one or other of the foregoing heads may be grouped every matter-of-fact with which the human mind is acquainted, or of which it is competent to take cognizance. The class first named greatly exceeds, both in extent and in importance, all the others combined; and since it is the division within which will be found the small section of knowledge that we are about to explore, it is not deemed necessary on the present occasion to characterise the others more definitely. But this I will proceed to define with more exactness, preparatory to noting some of its subdivisions.

The soundest thinkers of the present day regard the law of Causation as of universal prevalence. All their scientific speculations are based on the assumption, that every event which takes place in nature, whether connected with matter or with mind, is the effect of some antece-

dent cause or combination of causes; as, for example, the phenomenon, day, is the effect of sunbeams, the phenomenon, motion, that of gravity or momentum, or of these two causes acting jointly. Some have denied, and indeed still deny, the universality of this law. They admit its invariable prevalence in the material world, but deny its agency in the production of mental phenomena. It will be incumbent on me, in the ensuing chapters, to demonstrate the unsoundness of this opinion, so far as it relates to mental volitions connected with wealth; and if I succeed in this, we may safely conclude that they are also wrong as to all other phenomena of mind. Indeed, it must be apparent to any one who has given the subject much reflection, that no such thing as a well grounded science of society can be constructed without assuming as its basis, not only the existence of this law, but its controlling influence over mind as well as over matter.

Assuming these views to be correct, it thence follows that the department of knowledge under consideration, occupies a wide space—that it extends, in fact, over the entire domain of ascertained truth, but is confined to one class of laws exclusively. It takes cognizance of all causes and all consequences which the human mind is capable of understanding, but it takes no note of the facts involved in the simple existence, the co-existence, or the resemblance of things, nor of the meaning of words, except so far as may be necessary as a subsidiary means of attaining the end in view. In truth, we may regard each division of knowledge as presenting this widely extended surface, but while the others only contain here and there an insulated fact or principle of subordinate importance, this is literally filled with interdependent lines of truth, to which time is constantly adding new branches, and to each branch

new links. When, from any chosen point of observation, these lines are traced upward, they are found not only to converge, but at almost every link to conjoin, so that the nearer their source the fewer their number. As to what may be their character and tendencies, in either their ascending or descending series, where they pass beyond the present boundaries of human knowledge, we can of course only conjecture; but so far as analagous reasoning warrants, we have a right to infer that the same system prevails in the regions of the unknown; and hence, that, originating in the impulses of the Great First Cause, the law of causation issues thence in a single stream, which, at every remove from its source, diverges and divides like pencils of light until the universe is filled with its innumerable branches.

This greatest of the four primary classes of knowledge is subdivided into numerous sections or fields, called sciences. It would be foreign to the aim of this preliminary chapter to detain the reader with an attempted definition of the boundaries of each of these fields, or even with a simple enumeration of the whole of them. It will be sufficient for my purpose to characterise, briefly, a few of the more important, together with those which border on Political Economy.

I shall begin with the most elevated fields, or those which lie nearest the superior boundary of knowledge, where the lines of causation first enter in from the regions of the unknown, and consequently, are fewest in number, but greatest in magnitude—containing, as it were, the germs from which are developed the unnumbered derivative laws, which increase in geometrical progression as they pass through the domain of thought until their ultimate subdivisions are hid behind the curtain that forms its inferior boundary. The first is called As-

tronomy. It is the province of the votaries of that science to investigate and unfold the natural laws which constitute the mechanism of the heavens and control the motions of the bodies of space; and we see them still engaged in successful efforts to roll back the curtain so as to penetrate still deeper into the mysteries of the universe. The second in position and magnitude, though not in importance, is termed Geology, within which, lie the laws concerned in the formation of the earth, especially its superior strata and surface. Next, Meteorology, which takes cognizance of laws appertaining to the atmosphere. Next, Chemistry, which traces out the laws concerned in the composition of all material substances. Next, Physiology, which attempts to ascertain the laws concerned in the phenomena of organic existence or life. Next, Psychology, which investigates the laws of mind. But if, as is now most common, the two sciences last named be so circumscribed in their definitions as to exclude from their province all kinds of organic existence except that of man, then they should be preceded by the science of Human Nature, since this field includes both of the others.

To come down, then, to the limited province wherein man is the only subject or phenomenon presented for contemplation, we begin with the science of Human Nature, the votaries of which thread out the laws concerned in his existence and constitution, whether connected with his corporeal attributes or his mental. Next, Ethology, which investigates the laws concerned in the formation of character. Next, the Science of Society, which traces out the laws concerned in the production of all social phenomena of whatever kind or tendency. Next, Politics, or the Science and Art of Government. This is a division of the field last named. As a science, politics

merely takes note of the natural laws concerned in the production of that class of social phenomena over which the prerogative of government may be usefully extended: as an art, it frames and enforces the machinery of government—so executing its task as to conform to the plan which science indicates as the one best calculated to suppress social evils and to produce social benefits.

Now, it is within a small section of the political department of social science that the very limited theatre of our explorations will be found. While the general science of society takes cognizance of all the causal laws that affect the social interests of mankind, and while the science of politics takes note of all those which in any manner affect the interests of the state—Political Economy is concerned only with that portion of them which give birth to and result from the desire of Wealth.

Viewed in this aspect, and from a position which enables us to take a perspective survey of the entire domain of knowledge, the science of wealth appears to be but a mere point scarcely large enough to be perceived. Like everything else, however, the nearer we approach it the larger it will appear; and when, upon entering the gate that opens to its province, we attempt to trace out the consequences of that law of human nature which begets in all mankind the desire of wealth, we find so many derivative laws branching off, and these branches subdividing in such rapid progression, that the powers of the intellect are not equal to the effort of tracing out the whole of their consequences. In fact, these principles are so numerous and important, they occupy a field so vast, and exercise such a potent influence on human happiness and progress, that it has been deemed advisable to facilitate their exposition by dividing this scientific field into nu-

merous sections. Accordingly, Political Economy traces this law of human nature and its derivatives no farther than they affect the pecuniary interests of mankind in their capacity of political communities or states. Here it leaves them. They then pass through into numerous other sections of the same field, some of which are termed sciences, others arts—such, for example, as Agriculture, Manufactures, Navigation, and, in short, the whole circle of useful arts and sciences.

Having thus, in general terms, pointed out the position and character of our field of inquiry, as well as its relations to other sciences, I will now proceed to give a more exact definition of it.

Political Economy, then, I regard as the science whose peculiar province it is: 1, To unfold the law or laws of human nature from which the desire of wealth emanates: 2, To explain the nature and attributes of the resulting phenomenon, Wealth—or more properly, Value: 3, To point out the prime agents of its production, together with the manner in which their respective services concur in the process: 4, To ascertain and describe the social machinery that political communities have devised and adopted, as general auxiliary agents of production: And 5—after ascertaining these fundamental truths, which may be regarded as the groundwork of the science—to trace out the resulting principles or natural laws which govern the production, distribution and consumption of social wealth. Thus far the province of Political Economy is purely scientific—it is confined to the investigation of principles—and the above definition of it, indicates the limits within which the first division of this inquiry will be confined. But after science has unfolded the laws and principles from which wealth results, and those to which it gives birth, it is also the province

of Political Economy to point out their proper application, by indicating the true economic polity of governments. The second division of this inquiry will be an attempt to execute a part of that task.

The foregoing definition needs some modification. It will be seen that it seems to shut out of our field of inquiry, every law of human nature save that which prompts us to prefer a greater to a less amount of wealth. In strictness it should do so, because all other laws of human nature properly belong to other departments of scientific inquiry; but since they are all linked together by a chain of interdependence, we shall not be able to ascertain the true origin of wealth without first determining their joint tendency, or rather, their joint influence on the desire of wealth. It will be found also, as we proceed, that the interdependence referred to is so complete, and so uniformly manifested in social phenomena, that we shall have frequent occasion to step over the lines which divide Political Economy from the collateral departments of social science, for the purpose of examing other laws of human nature and their derivatives, with the view of estimating their influence on kindred principles with which we are directly concerned. We shall find, for example, that the law of self-preservation (which may be regarded as the fundamental principle of political science, of which field this is but a small section,) not only concurs with other causes in producing the desire of wealth, but that it has given birth to that feature of the Social Contract which forbids, and in a large degree prevents, the commission of murder, as well as all other acts of personal violence calculated to mar the productive capabilities of mankind; and that it has thus contributed essentially to the development of wealth. So, also, with most of the other laws of human nature and their result-

ing desires: they all concur, incidentally, either in promoting the production and preservation of wealth, or in hastening its consumption. It may, therefore, be found useful, in the progress of this inquiry, to characterise briefly the whole family of mental desires, for the purpose of indicating the pecuniary consequences to which they lead; but whenever I find it necessary to trespass on other fields of inquiry, I shall be careful to confine my researches therein, to an examination of such facts and principles as exert an influence on either the production, the distribution, or the consumption of wealth.

Beside these links which connect Political Economy with the superior and the collateral departments of social science, there are others which connect it with those branches of science and art which lie below it and in some measure result from it—such as agriculture and navigation, the manufacturing and mechanic arts, the art of individual and household economy, &c. But as it respects these, the line of demarcation is so distinct, and the reciprocal influences so slight, that we shall rarely find it necessary to extend our researches into their rightful province. Their principles being derivatives of those embraced in our science, the only way in which they can modify the latter is by reacting on their source, which, it is evident, must be to a much smaller extent than where the influence is direct, as is the case in the other instances to which I have referred.

To this delineation of what may be termed the external relations of Political Economy, I might add a more detailed enumeration than I have yet given of the truths that lie within its own province. For the present, however, I shall refrain from doing so. In the definition already presented, I have named the cardinal principles from which all the other truths of the science are derived;

and since the ensuing inquiry is specially designed to unfold them, by legitimate deductions from well established principles and premises, it appears to me their enunciation may be more properly left to the body of the work.

These general remarks will, it is hoped, enable the reader to understand my design, and with his consent we will now enter upon the field of inquiry so imperfectly marked out.

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PART I.

OF THE SCIENCE OF WEALTH.

CHAPTER I.

OF THE ORIGIN OF WEALTH.

In considering the plan of this work, I have found it somewhat difficult to determine whether to commence with an analysis of the nature of wealth, or with an exposition of the natural laws concerned in its origin. Both seem equally entitled to precedence, since we cannot present either one without supposing in the mind of the reader a pre-existing knowledge of the other. One or the other, however, must have the first hearing; and, since a knowledge of the causes which brought wealth into being will greatly facilitate our apprehension of its nature, I have concluded to treat first of its origin. But before doing so, it will be well to explain, briefly, the sense in which the terms, wealth and value, are here employed.

The term Wealth, or Social Wealth, I regard as the general name of that class of things which possess the attribute, value; and Value I conceive to be that property of things, which prevents their obtainment unless other things possessing the same property be given in exchange for them. This attribute is some-

times called *exchangeable* value, but I hold the adjective to be unnecessary.—Value, then, in the sense in which the term is used in this treatise, may be regarded as the vital principle or essential portion of social wealth, a more expressive name for which would be, Artificial Utility; because (as I shall endeavor to prove in the next chapter,) that property of things which we term value, is, in fact, neither more nor less than the utility wherewith they have been invested by artificial means.

Aided by this brief definition of the terms employed, the reader will be prepared to follow me in the effort to point out the origin of wealth, and the ends it was designed to aid in attaining. To these his attention is now invited.

In contemplating the nature of man and the circumstances which surround him, we discover the important fact, that his wants and desires are ever in advance of the means at his command for satisfying them; his wants and desires are infinite, the means at his command for satisfying them, finite. This principle is so universal and invariable, its manifestation in the life of every individual is so certain and constant, that we are warranted in calling it an unavoidable condition of human life,—a fundamental law of human nature.

These wants and desires are not only infinite in number, but ever recurring; to quiet their importunity requires the constant presence of their objects. They are of various degrees of intensity, being so arranged that they may be said to environ each individual in a countless number of receding circles, the intensity of which is in proportion to their nearness to the centre, and their volume in proportion to their distance from it;—that is to say, the wants constituting the first or inner circle are more urgent but less numerous than those of the

second, the second than the third, and so on as they recede; from which it may be inferred that each circle represents about the same aggregate of wants and desires. Fortunately, we are not subject to the pressing importunity of more than one of these circles at a time, because the nearest forms a barrier which effectually prevents the approach of all the others. But whenever that is removed by the presence of its objects, the next outer circle immediately concentrates and occupies its place. The same may be said of the next, and the next; and so on to infinity, for no man has ever yet succeeded in finding the outermost limits of his wants and desires.

Created subject to these boundless and ever recurring wants and desires, man finds himself placed upon a theatre of existence where but a very limited number of their immediate objects are placed within his reach; not sufficient even to sustain his vitality. He finds however, that nature presents to him a profusion of elements and proximate compounds, adapted to the formation of finished objects of desire; and he finds moreover, that his Creator has conferred on him suitable, though limited, mental and muscular powers for making the needful modifications.

Such are the means provided by nature for procuring the objects of human desire, from which we may readily perceive that the end cannot be accomplished unless mankind exercise the faculties wherewith they are endowed. But if we contemplate for a moment the constitution of the human mind, and the nature and arrangement of our wants and desires, we shall find that the whole are admirably designed for securing this exercise.

Without entering the debatable portion of the field of mental science—without adopting principles controverted by any philosophical sect—it may be assumed: 1, That

Intellect, or that faculty of the mind which performs the office of reasoning and judging, is the highest endowment of man, the governing principle of his nature; and that Happiness is the supreme desire of his heart—all other desires being merely its subordinate auxiliaries: 2, That the intellect controls and directs the desire of happiness, and through that, its subordinates; from which rule, however, must be excepted, those instances wherein the prospect of immediate pleasure renders desires so vehement that they are led to commit acts of insubordination; but for these acts they are promptly punished by the intellect, through its instrument, the conscience: 3, That the desire of happiness, under the guidance of the intellect or judgment, not only regulates the intensity of all other desires, but prompts and directs every action of the life: 4, That happiness is promoted (*really*, when the judgment is true and its dictates obeyed—*seemingly*, when it is false or disobeyed,) by the satisfaction of wants and gratification of desires.—These propositions we may have frequent occasion to refer to as premises; but at present we have only to notice a very obvious inference that may be drawn from them, and the truth of which is fully confirmed by observation and experience; namely, that whether the intellect be enlightened or ignorant, the desires obedient or disobedient, man is impelled, alike by the dictates of his judgment and by the joint urgency of his supreme desire and all its subordinates, to exercise his faculties in procurement of objects adapted to his wants and desires.

Such is a brief outline of the plan of human life as established by its Author. It remained for man himself to carry it out by performing his appointed part. Let us now look at the nature and extent of the powers conferred upon him for that purpose, and at the character

of some of the wants and desires which importune him for their objects.

These powers may be divided into two classes, intellectual and corporeal. The first plans and directs, the second executes. I will endeavor to give an outline of the process. To do this with precision and clearness would require a more perfect knowledge of the mental organism and functions than the science of mind has yet unfolded, unless we adopt as the true theory, the hypothesus of Gall and his followers. That would indeed remove all difficulties, for this school of mental philosophers profess not only to have ascertained the nature and purpose of the different organs of the mind, but to be able to measure the size and strength of each in any given individual. But however much of truth there may be in these pretensions, we know that Phrenology is regarded by many sound thinkers as too uncertain in its premises, as well as in its conclusions, to establish its claims to the title of a science; and hence, its materials are altogether unfit to be used in forming a basis on which to build another science. It is not, however, absolutely essential that, when investigating the origin of wealth, we should be able to lift the curtain which hides from us the secret machinery of mind, and thus learn the precise source from which the intellectual portion of it emanates. The ability to do so, and its resulting knowledge, would, doubtless, facilitate our labor and give increased certainty to its results; but in their absence, we can substitute our knowledge of mental phenomena, and thus seize hold of the rudimental principle of social wealth, at the very point where it first enters the boundaries of our knowledge, which is but one remove from its ultimate source. This, then, shall be our starting point, whence we will reason only from such general

principles of the human mind as are universally admitted to be true.

As man has been constituted by nature, we find that Mind is the controlling power in all his actions. The Body serves as its tenement, and also, as an obedient machine wherewith it may compass its volitions and aims. The senses are placed upon this machine as sentinels, which, by means of nerves leading from the brain to each organ, and from each organ to the brain, serve to connect the mind with the external world and impart to it some knowledge of every thing of which they are capable of taking cognizance. Intuition, inference, memory, voice, and motion, are also instrumentalities or media of the mind, provided by nature, for imparting to it a knowledge of her laws. The subordinate desires present their petitions to the desire of happiness; the desire of happiness refers them to the understanding or judgment, with instructions first to determine which it is possible to gratify, next, to decide which of these are best calculated to promote happiness, and finally to put in motion the appropriate machinery for executing its decision. The mind then plans and issues its volition, the machine moves in obedience to the mandate, and the senses and other instrumentalities of the mind direct. Such is the *modus operandi* in every human thought, emotion and volition, when they result in action. It is to be noticed, however, that the body cannot execute whatever the mind chooses to will. The compass of the corporal powers is much more circumscribed than that of the mental. They cannot fly with the freedom and swiftness of thought, nor can they accomplish a host of other tasks which the desire of happiness would prompt the mind to impose upon them, provided it perceived the ability to perform.

Nature, in fashioning this machine, endowed it with vitality and motion, which enable it, within the narrow compass of its functions and powers, to obey the mandates of the mind; but she at the same time kindled within it a consuming fire, which, unless constantly fed with fresh fuel, in the form of wholesome air, water, and food, speedily consumes its vital organs. Now, inasmuch as it is a well-known law of human nature to love life and dread death, it follows that the first and most imperative mandate which the mind conveys to its obedient machine, is, that it procure the aliment required to keep itself in motion, to the end that the vital functions may be sustained, and the life thus prolonged. And lest the love of life, and the mental desire for physical aliment to which it gives birth, might not of themselves be sufficiently strong to prompt the efforts requisite for securing the end in view, nature has added the pleasurable sensations which attend the gratification of these desires, and the pains of hunger, thirst, and suffocation, as auxiliary aids to the mental desire. It may be affirmed, therefore, that the most imperative of human wants, are those having for their objects, air, water and food. They may be regarded as constituting the first or inner circle of those by which we are individually environed. Our earthly existence is made to depend upon a uniform supply of their objects; and we have seen that the love of life, the dread of death, the enjoyments of appetite, and the pains of denial, all concur in urging their procurement. How, then, shall they be obtained? This is an important inquiry, and one which, if properly pursued, cannot fail to exhibit the true origin of wealth.

In the first place, it may be set down as an axiom, *that man obtains all his aims and ends by the best methods within his knowledge and reach.* This is a

general principle of the human mind, of such universal prevalence, that humanity scarcely presents an isolated exception—so uniform and ever active, that we see mankind, everywhere, and in all conditions of life, engaged in untiring efforts to improve the methods in every process required to supply their wants. Guided by this unbending law of the mind, let us endeavor to trace out the general features of the plan adopted by mankind for the purpose of supplying the objects required by the first or most urgent circle of human wants.

Atmospheric air, the object first named, is a free gift of nature to her common children. All living creatures that need it, may partake of it freely, without effort, and without diminishing the supply. They are immersed in a sea of it, and have but to permit the involuntary expansion and contraction of the lungs, and that want is supplied. Water is furnished by nature in almost equal profusion; no effort worthy of notice is required to procure it. Not so, however, with the various kinds of food. These, although equally indispensable to life, have been contributed by nature with a more sparing hand. To obtain them, even of the simplest form, in quantities sufficient to sustain the vital functions, requires some exercise of the faculties wherewith man has been endowed by his Creator. Nor can he go and gather them at the promptings of his appetite and the volitions of his mind, especially if the season be unpropitious or the locality unfavourable. True, the immediate materials of food are distributed over the world in considerable (though inadequate) quantities, at least during a part of the year, while their elements and proximate compounds are supplied by nature in great abundance; but then, the direct powers conferred upon man for transforming the elementary and proximate materials into finished

articles of food, and for securing them and preserving a portion for use in a season of scarcity, are found to be defective. The mind has sufficient capacity to conceive and direct, but the body has not the needful powers of execution. It can only, as we have said, obey the mental volitions when they direct it within the limits of its ordained field of action, and this has been found so narrow as to render it unequal to the task of procuring the quantity of food required to support life. Here, then, was a dilemma. The plan of human life seemed to be imperfect, for its Author had not, apparently, furnished means sufficient to preserve it. The imperfection, however, was but apparent, not real; for the deficiency of direct, immediate means, was more than compensated for by the rich endowments of the intellect. The latter, we may suppose, had no sooner discovered the defective capacity of the machine provided by nature for executing the mental volitions, and the fatal consequences that must speedily ensue in the absence of a remedy, than it commenced the task of contriving one. The crisis was important, the necessity urgent, and the consequences of success or failure of the most momentous character, for the question of the perpetuation or extinction of the human race was involved in the effort and must be decided by the issue. The intellectual faculties, gifted, as they seem to be, with powers of expansion proportionate to the duties required of them, proved themselves equal, and more than equal, to the emergency. They devised, and aided by the corporeal powers, created Value, which they brought into their service, and by aid of which they were enabled not only to satisfy the desire of food, but to procure the objects of many other desires.

The nature of this new agent, and the means employed in its production and preservation, will be fully discuss-

ed in the next chapter, my object here being merely to point out the motive, or rather the necessity, that prompted its creation. But lest my meaning prove obscure, it may be well to say in this place, that value is the essential principle of all artificial machines. When mankind discovered that the direct ways and means provided them by nature were inadequate to the preservation of life, we may well suppose that they entered into a most scrutinising examination of the nature of the powers given them, for the purpose of discovering not only the defect, but, if possible, the remedy. A mere glance at the problem presented for their solution, must have been sufficient to convince them that the defect existed in the corporeal powers, and that it consisted of their inability to execute, fully, the mandates of the mind. But to find the remedy was a much more difficult task; and the fact that they hit upon one so appropriate and so effectual as the creation of value, evinces a degree of genius and judgment that would do honor to the best intellects of the present day. They must have perceived that their natural powers, both mental and physical, were so constituted, as to be capable of giving out streams of service without sensibly diminishing the fountains; and from this fact they must have inferred that, by a skilful blending of a portion of these services with matter, they would be able to construct artificial machines, which, when placed at the command of the natural machine (the body), and serving in concert with it, would greatly enlarge its powers. This inference enabled them to conceive the proper remedy, and they proceeded accordingly. Instead, therefore, of expending the entire stream of mental and physical services in direct efforts to modify and secure the immediate objects of desire, they incorporated a portion of it with natural

products in such a manner as to constitute secondary or artificial machines adapted to aid the primary or natural powers in securing the objects of desire. In other words, they gave a separate and independent existence to a portion of these services, and placed them as intermediate agents between desires and their objects, there to labor, in concert with the natural powers, in bringing the two together. The manner in which these artificial machines aid the natural one, is, by enlarging either the boundaries of its power or its productiveness. Every machine is so constructed as to secure one or other of these results—sometimes both. A ship, which enables us to cross oceans, will serve as an illustration of the first, since we could not compass that end unaided by other means than those directly furnished by nature. A plough, or any other labor-saving machine, will illustrate the second; and a steam engine as well as many other machines, possess both qualities. These machines constitute value in its productive form. Their services, in connection with those of the mental and muscular powers, are transferred to matter, and so blended with it, as to produce finished objects of desire. These constitute value in its consumable form. Before the creation of value, the streams of mental and muscular service went out from their source directly to the objects of desire, and after being incorporated with them, brought them back to replenish the fountain; but now they pass from their source to these auxiliary machines, thence, greatly enlarged, to the immediate objects of desire, and thence, laden with these objects, return to their source. Value has thus added a new and most efficacious link to the chain which forms the circuit. But I am anticipating. These are topics, the discussion of which belong properly to the next chapter. Let us return, therefore,

from a digression which perspicuity seemed to demand.

Such is value in its primitive or most rudimental form. I have shown that the unavoidable necessity of having more food than nature provided direct means for securing, must have been the primary cause of its origin. But we must not forget that there are other wants, treading close upon the heels of this, which are almost as urgent in their promptings. Closely allied to those already named, is the desire of clothing and tenements, as a means of preserving life and health, by affording protection against changes of temperature, and other inclemencies of weather. So, also, the desire of nourishment for offspring, until such times as their powers are sufficiently matured to procure it for themselves, as a means of perpetuating the species. The instinct which gives birth to the desire last named, is common to every variety of the animal kingdom; and in all of every species, nature has been careful to plant it so deep, and to aid its accomplishment by means of the vehemence of another desire, and the unequalled force of parental affection, that nothing but sustenance is required to secure the end in view. And whilst the offspring of the lower orders of animals are capable, almost from their birth, of procuring food for themselves, we find human offspring utterly helpless for years, the preservation of their lives depending entirely upon parental guardianship and nourishment. The parents of the former have not, like those of the latter, been endowed with powers capable of creating auxiliary means to aid them in procuring the objects of want. I notice this remarkable fact, not only for the purpose of showing the imperative character of the desire we are now considering, but also, for the strong confirmatory evidence it affords that value originated in the causes here pointed out; for in the laws of

nature, as established by their Author, the adaptation of means to ends are always perfect.

The desire of air, water and food, I have called the first circle of wants; the desire of clothing and tenements, and of nourishment for offspring, may be termed the second; and the two together, or rather their objects, may be regarded as essential to life. These, therefore, we may term wants—all the circles beyond them, desires. I have said that the objects essential to life, could not be procured without the aid of value; and for evidence of the truth of that assertion, I may confidently refer to whatever is known of the condition of the rudest tribes of savages in all ages of the world: the records of history may be searched in vain for an instance in which a community or tribe of men have existed, entirely destitute of artificial machines. It is to be observed, however, that mankind need but little of value to enable them to procure the objects indispensable to life. A few rude and imperfect machines—such, for example, as the most uncivilized of men employ as instruments to aid them in securing fish and game—have been found adequate to this primary end. These imperfect instruments, and their products, represent wealth in its most elementary form—that form in which it is endowed with no other attribute of productiveness than the one conferred by the single expedient which first brought value in existence. In this initial form, wealth must be regarded as merely an inactive germ, in which the principles of development and preservation are either absent, or exist in such feeble degrees that every effort at expansion is at once suppressed by violence and rapine.

Wealth, in this its embriotic form, seems to have been sufficient to satisfy that portion of the human family who have not yet emerged from the savage state; at

least, they have failed, either through ignorance or the feebleness of their desires, to adopt the needful expedients for promoting its development and securing its preservation. Not so, however, with the other portion of mankind. They have not been satisfied with a single intellectual achievement which enabled them to taste the first fruits of wealth, and by that means to preserve life and perpetuate the species; but on the contrary, prompted by a desire to enlarge the boundaries of their happiness, by presenting for fruition the objects of their less essential but equally importunate desires, and guided by a more enlightened judgment, they have succeeded in imparting to this germ, principles of development and preservation, so appropriate and effective, that they have transformed it into the stupendous phenomenon, Social Wealth. The intellectual expedients of a general or social character, adopted and employed in bringing about this transformation, we shall find to be the four following—namely: 1, The recognition and enforcement of the Right of private Property, especially in Land; 2, Commerce; 3, Money; 4, Credit. To this list might be added that fundamental principle of the Social Contract, the recognition and social guaranty of the Right of Life. But since that principle is broader and deeper than the province of wealth—constituting, in fact, the foundation of the science of Politics, and extending over its entire domain, and being withal, mainly designated to protect the person rather than the property—I do not feel at liberty to include it; and yet we shall find, that the aid it affords in the production and preservation of wealth, although incidental, is not only effective but indispensable.

While bodily and mental services may be said to constitute the vital principle of value in its rudimental

form, and while the intellectual expedient which first diverted a portion of these services from direct to intermediate objects of desire, may be regarded as the fundamental principle of *wealth*, since it gave a separate and independent existence to value, in the form of a germ capable of aiding in its own development—the four expedients last named may be regarded as the corner-stones of *social wealth;* for we shall find that they constitute the social basis on which individuals have reared that immense superstructure. Existing together and their tendencies operating in harmony and concert, these intellectual and social devices have given so much freedom of action to the productive faculties of mankind, such variety and perfection to auxiliary machines, and have so increased the security of both from trespass and spoliation, that the rivulets of primitive value have been expanded into full, broad rivers of social wealth. They have thus enlarged, immeasurably, the circle of human enjoyments, and thereby augmented the sum of human happiness. And these, as I have endeavored to show, are the ultimate ends which social wealth was intended to secure,—these the motives which prompted its origination, and still prompt its production.

CHAPTER II.

OF THE NATURE OF WEALTH,

AND OF THE EXPEDIENTS AND MACHINERY OF A GENERAL OR SOCIAL CHARACTER, INVENTED AND EMPLOYED BY MANKIND, IN ITS PRODUCTION AND PRESERVATION.

In treating of the origin of wealth, I gave also, what perspicuity seemed to require, an inkling of its nature. I now propose to enter into a more extended examination of this subject, believing that a thorough understanding of the nature of wealth, and of the social instrumentalities which concur in its production and preservation, are indispensable to a correct apprehension of this science.

We must commence with an analysis of value, since, as already stated, value is the attribute which constitutes the essential portion of wealth; and it is, moreover, the name I have applied to wealth itself, in its most rudimental form.

First in order, then, will be a definition of the term, or an explantion of the sense in which I intend to employ it. Whatever may have been the primary sense attached to the word value, it has, like almost all other words, from a paucity of terms and other imperfections peculiar to language, become ambiguous; i.e. it has more than one signification attached to it. It is generally used to denote that property of things on which their market worth or price is based; but it is often employed to

indicate those properties of things which render them either useful or agreeable, in which sense it is synonymous with utility; and it is sometimes used as synonymous with power, causation, signification, &c. Now, it is in the sense first given that I intend to employ the term, and shall confine its meaning strictly within those limits. This was doubtless the primary, as it is still the usual signification attached to it, for I hold that the term is not only peculiar to this science, but that it is indispensable to a clear exposition of its first principles; and hence am unwilling that it should be spoiled by being pressed into other service. Some writers on the subject of wealth, having noticed that this term was rendered ambiguous by the gradual enlargement of its meaning, have abandoned its use, and substituted the term, Exchangeable Value. Regarding this term as less appropriate and less compact, and the adjective as uncalled for, I shall not adopt it, but will continue to employ the original term in accordance with this strict definition.

Thus defined, what is Value? It is believed that its nature may be most clearly shown by a classification in which all things may by grouped under one or other of the following heads. 1, The useless, or those which possess neither value nor utility; 2, the merely useful, or such as posses utility without value; 3, the valuable, or those which, besides being useful, are also invested with the attribute, value.

The first class will be made up of the things destitute of properties, either direct or indirect, immediate or remote, adapted to the satisfaction of human wants or desires, if, indeed, there be any of that character, which may be doubted. True, we have not discovered the utility of poisonous reptiles, noxious plants and vapors, nor of many other things in the mineral, vegetable, and

animal kingdoms; but it is not improbable that, with more perfect knowledge, we shall be able to appropriate them all to the advancement of human happiness. Or it may well be, that in the economy of nature they already subserve this end without our being conscious of it.

The second class will consist of such things as may be obtained without effort, but which, nevertheless, possess properties adapted to the satisfaction of our wants and desires,—such, for example, as atmospheric air, solar light and heat, water, &c. These things are deemed of high utility, and justly so, since they are not only essential to our happiness, but to our existence; and yet they have no value, they will command no price. Why not? Because they have been furnished by nature in such profusion that all may partake of them at their pleasure, without effort, and without diminishing the supply. They are the free gifts of nature to her common children.

The third class, like the second, will be made up of direct and intermediate objects of desire,—of things capable of ministering, either immediately or remotely, to the advancement of human happiness; but it will be confined to such of these as cannot be obtained without human effort, or price. In other words, the things possessing useful properties imparted to them by artificial means, will constitute the third class. This acquired utility, or artificial utility, is termed value. To obtain it, we must either create it, inherit it, or give equivalent value in exchange for it. Hence, this class of things will include every component part of the aggregate of social wealth, and these only.

We find, then, that the utility conferred upon things by nature, and that imparted to them by the direct and

indirect efforts of mankind, are altogether different properties. The first constitutes no part of social wealth; the second is its vital principle or essential portion; and yet we witness the remarkable fact, that most if not all who have hitherto written on this science, have failed to distinguish the features in which they differ; or if they have succeeded in this, they have failed to separate them by any thing like a well defined line. They seem indeed to have regarded value and utility not only as synonymous terms, but as identical things, and they have thus led themselves and their readers into a labyrinth of errors. The fact that value and utility are two distinct properties of things, may be demonstrated by a mere reference to the two familiar articles, wine and water. The first is the more valuable, it will command the higher price; and yet all will admit that the second is the more useful of the two. Utility may be regarded as the essential principle of all objects of desire, whether direct or intermediate, and hence, it includes value as well as natural utility. Value is that portion of utility which has been created by artificial means. Every thing to which this attribute has been communicated, is admitted to membership in the family of things called social wealth, while those to which it has not been imparted is excluded from that family. Hence, it is the distinctive attribute of wealth; and being so, it must be regarded as the phenomenon whereof it is the peculiar province of this science to treat.

The necessity that prompted the origination of value, and the means employed in creating it, in the imperfect form in which it exists among savages, having been already pointed out, do not need repetition here, further than to say, that value, in that form, is the continued existence of nervous and muscular powers after

they have been transferred from their owner to the matter upon which he exerted them. Or we may say, that it consists of simple artificial machines, planned by the intellect and fashioned by the hands, designed to aid the natural powers in procuring objects indispensable to life, to the end that mankind, like other creatures more directly provided for, might be able to obey the first law of animated nature, self-preservation. Value, in that imperfect form, was not, however, adequate even to this primary end, since it must soon have fallen a prey to the spoliation of the stronger, unless protected by some social guaranty of individual rights. In illustration of this truth, let us suppose that a tribe of men, in a primitive condition, without other means of procuring food than those afforded by nature, are threatened with famine; that in this pressing emergency, one of their number, after wearily tasking his intellect and consuming his time by industrious effort, constructs a machine by aid of which he can procure sufficient food for himself and family, but not for the whole tribe; and that this machine, instead of being guarantied to him, in virtue of the right acquired by the incorporation of his skill and labor with it, be left to such ownership as the law of strength awards. In that event, unceasing and exterminating strife would give it, ultimately, to the strongest, and the result could not fail to be highly injurious, if not fatal, to a majority of the tribe—indeed, to all but one. It is this necessity that has given birth to the recognition and social guaranty of the right of private property, without which social wealth could not exist, nor even its undeveloped germ, for the necessity is of such an imperative character that we find the rudest savages enforcing, to some extent, the rule of right, as a means of preserving their imperfect

creations of value. Man's reasoning powers enable him to recognise this right, and it may be that he has an innate sense of justice, which, as well as necessity, points to its social guaranty, since, as is well known, nature often secures her aims by plural means. But in this case there can be little doubt that necessity alone is a sufficient cause to produce the effect.

Again. Nature, besides distributing food with a sparing hand, has made even this scanty supply subject to the varying influence of the seasons. Except in some favored climates where vegetable life and development are perennial, she furnishes her vegetable stores for but a portion of the year; and since the subordinate animals are dependent on these for subsistence, it follows that they must migrate in search of them. The vegetable and animal kingdoms constituting the only materials on which man can feed, it is apparent that he too must either migrate or perish, unless his intellectual skill can invent a better expedient. Behold the expedient of hoarding! This method, however, cannot be adopted with any chance of success, unless aided by the social guaranty of the right of property; because, in the first place, there would be no surplus food to hoard until the security of property had stimulated the production of auxiliary machines to aid in its procurement, and, in the next place, because it would be quite useless to hoard the surplus where the owners are subject to the torture, and their property to the spoliation, of the stronger. It may be inferred, therefore, that the unavoidable necessity of preserving food for use, in seasons of scarcity, when nature's storehouse is either exhausted or locked up, also compels even the most uncivilized portion of mankind, in some degree, to guaranty to those who produce value, its peaceable possession, as a means of pro-

moting both its development and preservation. Among savage tribes this guaranty is, however, very imperfect—sufficient merely to perpetuate their existence. In civilized communities it is more perfectly recognised, and more rigorously enforced; and we shall see presently, that it is to these causes, combined with a skilful enlargement of the right of property so as to include land and some other natural products in the social guaranty, that wealth is mainly indebted for its development, and civilization for its origin as well as its superior advances.

Let us now take this undeveloped germ of wealth, as we find it existing in the hands of uncivilized men, and trace its progress when under the control of those more gifted. We shall thus learn by what methods they have succeeded in imparting to the dormant germ, the active principle of development and the increased security from violence, by which it has been expanded into social wealth. If judged by their effects, these methods must possess an extraordinary degree of efficacy, for they have already transferred the wilderness into cultivated fields, dotted the earth with cities, towns and hamlets, covered the ocean with commerce, and elevated man from a state of barbarism to civilization, besides increasing immensely the population of the world.

The portion of services contributed by the mind in the production of value, is called Skill, the portion contributed by the body, Labor; the joint service of the two, I shall term Industry. The first value produced in the world must have emanated exclusively from these two sources, because skill and labor could have had no artificial aids until such were fashioned by themselves. But the moment a share of the services of skill and labor was diverted from the immediate to the interme-

diate objects of desire, that moment these objects were made to assume the forms of auxiliary machines, (better known perhaps by the name of productive capital) so as to aid in the process. By this expedient, the projectors of wealth made value to concur in the process of creating other value, thus pressing it into the service of reproducing itself—or rather, of aiding in that process, for it is familiar knowledge that the most perfect machinery is unproductive without the superintendence of skill and labor. For example, the method of breaking up the soil by means of the horse and plough, or even by the spade, is a great improvement on the natural plan of using the fingers and toes; but these means cannot be employed without human aid and guidance. Therefore, all three must concur in the process, whence, it is apparent, that the value produced will be the common offspring of this triple parentage. Nor are these all. Nature, in various ways, aids in the process; and it has been found necessary to subject to individual appropriation and ownership, some of the means she contributes. Nature, for example, provides the soil whereon the art of agriculture is prosecuted, together with the atmosphere, light, heat and rain, required to develope the plants and perfect the fruits; and, although the soil, like the other contributions of nature just named, is the free gift of God to his creatures, and hence, would seem to have been designed, either for the common use of all or for equitable apportionment amongst all the members of the human family as their birthright—yet, it has been found that no cultivation can take place unless the soil be made subject to individual ownership: because, in the first place, it must be fitted for culture by clearing, fencing, and other preparatory outlays of industry and capital, which could

never occur unless private ownership were first recognised, and secured by the social guaranty; and, in the next place, no one would be found willing to sow and cultivate unless he first had assurance that he alone would be permitted to reap. Here, then, was another dilemma. The soil could not be made subject to individual appropriation, to purchase and sale, and to bequest or inheritance at the death of the owner, without injustice to those who should subsequently come into the world destitute of such inheritance; and, on the other hand, wealth could not be produced, the soil could not be cultivated, nor even buildings erected upon it, without first guaranteeing the right of individual ownership. How should justice obviate this difficulty, without disturbing the equilibrium of her scales! This has been, and indeed still is, regarded by many as a problem for solution; for, although mankind, perceiving the immense advantages which would be secured, and bowing to the necessity of the case, have not hesitated to guarantee the right of private property in land, yet it is not to be disguised that many are dissatisfied with the arrangement. Their objections are not, however, founded in reason. The injustice is but apparent, not real, as I will endeavor to demonstrate in another place. At present, we will proceed with the immediate subject in hand.

We have now reached, in the progress of our enquiry, an interesting period in the development of wealth. Like the chrysalis, it is about to assume a new form and a more perfect existence. Aided by the Social Contract, and especially by its economic provisions, rudimental value is now to be transformed into social wealth. Let us glance at the causes concerned in the production of that phenomenon.

We left that division of mankind whose progress in

wealth we are now tracing, in the possession of some artificial machines designed to aid them in procuring the immediate objects of desire, and of others capable of aiding in the reproduction of themselves and of value generally, whether in the form of immediate or intermediate objects of desire. Now, inasmuch as mankind, in the absence of external restraint, are prone to trespass on the rights of others, it is evident that even these two classes of auxiliaries must have been comparatively useless for want of power in the individual to protect his property from spoliation, and for want of undisturbed possession of land to till;—and hence, that the development of wealth must have rested at these limits, and the satisfaction of wants have been confined to their two narrowest circles, so long as these hindrances to progress remained. When these defects in the plan of wealth, and the injurious consequences resulting from them, were perceived, the intellectual faculties, doubtless at once assumed the task of providing a remedy. As usual, they proved themselves equal to the effort. They conceived and planned the Social Contract, or, as I choose to term it here, the Government Machine, which, as may be inferred from its effects wherever it has been adopted by society, has proved to be a most efficacious remedy.

There were three principal aims (to say nothing of incidental and less important objects,) which this machine was designed to aid in securing—namely: 1, The protection of life, liberty, and personal faculties. 2, The protection of value. 3, The creation and protection of what may be termed legal value in land and in some other natural products. Of the first and highest aim, I have but little to say in this place. Its consideration, as already noticed, belongs to another and wider field of

social science. To that we leave it, with the single remark, that the incidental aid thereby rendered to wealth, is indispensable to its growth and its utility; since, if the lives and personal faculties of mankind, were not protected by means of the social guaranty, it would be neither possible for them to aid in the production of wealth, nor useful to have its peaceable possession secured to them. The second, I have already shown to to be so requisite to life, that the least enlightened section of the human family are compelled, in some degree, to protect their meagre creations of value,—the only difference between them and the most enlightened sections, in this respect, being, that the protection afforded by the latter is more perfect. But the third aim—the investiture of land and its natural products, with the attribute of legal value, by ordaining that they should be subject to individual ownership—was a new feature in the government machine. The first two features, more or less perfectly developed, are common to all governments, whether of savage or of civilized communities, but this is peculiar to the latter. In other words, the right of private property in land is neither recognised nor guaranteed in the political organizations of savage tribes, while in those of all civilized communities it is. This may be regarded as the chief, if not the only fundamental cause of the superior advances of the latter in the development of wealth and its immediate offspring, civilization.

The plan of this additional feature of the government machine, may be thus briefly stated: The community, in their collective or social capacity, as personified by king or representatives, first assume the ownership of all the land (including all its natural products,) within their jurisdiction: they next invest it with legal value by es-

tablishing an arbitrary valuation or price for a given quantity of it, upon the payment of which, by individuals, they are recognised as its exclusive owners, and the right to possess it guaranteed to them and their heirs forever. Or, it may be stated thus: The society or state, in exchange for proportionate quantities of *artificial utility*, transfers to its individual members all the *natural utility* under its control, of which that of land and its natural products is the chief, and guarantees to them its exclusive use, together with the right to dispose of their respective portions, the same as though it were value of their own creation. Or, in other language still: By the voluntary act of at least a majority of the members constituting a society or state, the individuals first surrender to the mass the common right of each to partake of the natural utility inherent in land and its natural products; and the mass then returns this right, in definitive portions, accompanied with the social guaranty, to such of the members as are able and willing to give in exchange for it equivalent quantities of artificial utility.

Such is the simple plan by which the right of private property in land has been established and perpetuated. Apparently, but little of genius was required in its conception, but little of skill in its execution, or of judgment in its adoption. The plan appears simple and natural, its adoption obvious and just, and yet we witness the surprising fact that a large portion of the human family, from a deficiency either of genius or of judgment, or of strength in their desire of happiness, have failed to avail themselves of its momentous benefits.

Land and its natural products, mines, and some of the smaller bodies of water, including mill seats and fisheries, are the only kinds of natural utility that have

been made subject to individual ownership, and this for the simple reason that no others are susceptible of being made so. There are many other gifts of nature equally useful,—such, for example, as oceans, lakes and bays; light, heat, electricity, atmosphere and rain—but their characteristics are such as to render them mainly independent of human control.—For the sake of convenience and brevity, I shall term the appropriated natural agents simply, Land, that being the chief.

Before the right of property in land was established, there were, as we have seen, but three sources whence value emanated; but this ingenious device, by holding in abeyance the aggressive propensities of mankind, permitted the undisturbed assistance of land. The fountain of natural wealth, which had been until then nearly sealed up by unrestrained rapine, was thus opened and converted into value, while the vigorous stream of service that proceeded from it, was blended with those of the other fountains. This, therefore, established another source of value, making the whole number four; namely, Skill, Labor, Value (or productive capital,) and Land. These are the prime agents of wealth; they constitute its great productive elements. All the value that has ever been created, all the wealth that has ever been produced, distributed, or consumed, has resulted from these four classes of productive agents; and nearly all, from their united or concurrent services. Value cannot, under any circumstances, be produced without the concurrence of skill and labor; rarely, if ever, without the aid of capital in some form; and only upon unappropriated water, as in the whale fisheries and marine commerce, without the concurrence of land. Aside from these exceptions, value is the resulting product of the blended services of these four concurrent agents;

from them alone it proceeds, and hence, it must be to the proprietors of these agents that the revenue or profits accrue. These being the four elements consumed in the great laboratory for forming the compound, value, and the presence of each being necessary to the success of every single process, it follows that the proprietors of each will be, in every process, entitled to a share of the resulting product or revenue. This is a partnership of Nature's forming, and, as will be shown in the sequel, she designed that the aggregate share of each should be equal.

With intellectual skill to combine and direct, with muscular powers, aided by artificial machines and land, to execute ;and with the right of private ownership and secure possession of each, recognised and enforced by the government machine, we may readily perceive that mankind were able to compass the objects of numerous desires which the direct means provided by nature had not enabled them to reach. But the means were still imperfect. For aught we have yet seen, each individual or family found it necessary to produce for itself the direct objects of desire, and also, the auxiliary machines to aid in their procurement; i. e., the wealth consumed and the capital employed by each individual or family, must have been, in all cases, confined to the identical value which each, respectively, had created. We may safely assume, that this state of things could not have existed long, before the intellectual faculties—in view of the manifest fact that nature had endowed different individuals with different degrees of mental and physical powers, and had given to the earth great diversity of soil and climate—discovered that some men were, by nature and circumstances, best adapted to the production of value in one of its many necessary forms, some in ano-

ther, and so on ; that superior skill, and consequently, enlarged value, resulted from the continuous exertion of individual industry in a single pursuit ; and thence inferred that the division of employments would facilitate and perfect the processes by which value was produced, and thus greatly augment its volume. But how should they compass these advantages ? The cultivator of the soil, by confining himself to that pursuit, would produce a surplus of food, but then he would be destitute of house and clothing, and of many other things essential to his convenience and happiness. The mechanic, machinist and manufacturer would each have a superabundance of the products of their respective arts, but inasmuch as none of these are suitable for food, the division of employments would seem to sound their death knell,—apparently, under its adoption, they must soon die of hunger. The difficulty was perceived, the mind grappled with it, and again it came off victorious, as witness the intellectual expedient, Commerce.

It is the province of commerce to execute the interchange of surplus commodities of value. It does this by receiving them from their producers, carrying and delivering them to consumers, and completing the transfer in all cases, whether of receipt or delivery, by an exchange of equivalents or equal quantities of value.

The plan and machinery of commerce, like all other human contrivances, were doubtless at first deplorably imperfect, consisting, we may suppose, of a few simple instruments for measuring the bulk and weight of commodities, and of vehicles merely sufficient to transport from one to another the surplus commodities of neighboring producers. But the advancing knowledge of mankind in the science and arts of production has enabled them to render this expedient more and more perfect,

until, at present, we find the plan to be this: Through its prime agents, called merchants, commerce presents to every producer and every owner of value, all the varied forms of artificial utility, and invites each to give of such of his products as he needs least, in exchange for an equivalent of such as he needs most. By means of this simple plan, most of the varied wants and desires of mankind are in a measure amalgamated, or changed from individual to social. It connects together all the wants and desires of the commercial world by a chain of interdependence similar to that by which the desires of an individual are woven together. They are thus thrown, as it were, into a community or oneness, so that the possession of a commodity of value adapted to the satisfaction of a single want or desire, is thereby rendered equally available in the satisfaction of all others. It is thus that commerce permits the division of employments, from which such immense benefits have resulted. It was for the attainment of this single end that it was devised and planned; and, although it seems to fill a more important post if not a wider space in the affairs of life than all other processes of wealth combined, it performs no other office.

The machinery of commerce consists of merchants and their warehouses stocked with every form of artificial utility; of the means of transport—such as roads and canals, wagons, canal boats, steamboats and ships; of measures of bulk, length and weight,—such as the bushel, the yard-stick, and the pound weight; of a slight enlargement of the government machine, so as to establish rules in reference to the transfer of property, to bills of lading, insurance, &c. This list is not yet complete, but let us for the present consider it so, in order that we may point out the serious nature of the defect which

called for the invention and adoption of the highly important instrument that remains to be named.

Let us see with what degree of facility commerce will accomplish the exchange of values by means of the machinery just named. We have the merchant with his warehouse, commodities, means of transport, weights and measures, and his legal rules of procedure. Thus prepared, we will suppose that an agent of commerce and a producer of surplus commodities, being mutually attracted by the desire of gain, or by the desire of obtaining that which they need more in exchange for that which they need less, are brought together for the purpose of effecting an exchange of values. The producer presents (we shall say,) his bushel of surplus wheat, for which he desires sugar, or coffee, or cloth. The merchant stands ready and willing to give either in exchange, but how shall he ascertain, to the satisfaction of himself and the producer of the wheat, the proper quantity? He is provided with instruments for ascertaining the length, bulk and weight of commodities, but he has none for determining their quantity of value; and yet, this is, in all cases, the essential portion of the objects to be exchanged. He may know, perhaps, that the quantity of value in any given commodity bears a fixed relation to the amount of the joint service of industry, capital and land incorporated with it,—in other words, that it is equal to the cost of production, *plus* average profits. He may know, also, that supply and demand, acting in obedience to the self-interest of men and to their desire of happiness, indicate with a sort of vibrating truthfulness, the *comparative* cost of different commodities. But how shall he contrive to *measure* their value? If he determines that a yard of cloth is equal in value to a bushel of wheat, he will

soon discover that he has committed an error, because cloths differ in their degree of value, and hence, the producer of wheat would take only the best. So of sugar and coffee; they both vary in quality and cost, so that no measurement of their magnitude or weight can indicate correctly the quantity of value they possess. Value is imponderable, intangible, immaterial. Its quantity bears no uniform relation to either the weight or the size of the product with which it happens to be incorporated. There is, for example, more value in an ounce of silver than in a pound of iron, more in one bushel of wheat than in two bushels of oats, and more in an inch of ribbon than in a yard of tape. How then should the merchant determine the quantity of this intangible, imponderable, yet essential portion of commodities? He had no means at his command other than to observe first the indications of supply and demand, and then to base upon these an estimate of the relative value that a given quantity of each variety of each class of products bears to a given quantity of any and every other variety and class of products. This estimate would be, at best, but a blind effort to discover the true quantity of value. To perform the mental labor of making it, even imperfectly, would be a task of immense magnitude and difficulty; to do it with any degree of certainty, would be utterly impossible; and yet, before the intervention of a measure of value in some form, commerce possessed no other means of ascertaining its true quantity. In the case we have supposed, the merchant was, therefore, compelled to estimate, in the manner just pointed out, not only the relative value of wheat, sugar, coffee and cloth, but the proportion that the value of one pound of each variety of his sugar and of his coffee, and one yard of each quality of his cloth, respectively bore

to the value of one bushel of a particular quality of wheat. When another customer presented a different product for exchange, a similar estimate as to the relatine value of that and the various commodities asked for, would then be required, and so on through the whole circle of valuable products.

Such must have been the first great obstacle encountered by the votaries of commerce, in their efforts to prosecute it with the incomplete machinery at their command. They could only remove the difficulty by *measuring value*, and how were they to provide means for measuring a thing so intangible—an immateriality? The effort would seem to be hopeless; and it must be admitted that the intellectual faculties were never more nearly driven to the wall, for they have not, to the present day, discovered a method whereby value may be correctly measured; but they have made a near approach to it, as we shall see presently.

It was obvious that instruments purely material were not competent to measure immateriality, and hence the unavoidable conclusion, that the only way in which the quantity of value could be determined, would be to measure it by itself; i. e., to measure the value of one product by comparing it with that of one or more others. We have just seen that to make this comparison of the value of each separate product with that of all other products, would be so laborious and so uncertain in its results, that, if adopted as *the method*, it would neutralize in a great measure, the benefits of commerce. Hence the absolute necessity of some more direct and certain rule by which to determine the quantity of value.—The remedy first devised we may suppose to have been, the selection and adoption of a single product of value (as

nearly as possible invariable in cost of production and in quality,) as a standard by which the value of all other products might be compared, and thus measured. We will assume wheat to have been selected as the standard, and a bushel of that product as the quantity of value to stand as the unit of comparison. This contrivance enabled the parties, in every act of exchange, not only to compare the estimated value of the products belonging to each with the value of a bushel of wheat, but to express the quantity of value in numerical language. The merchant, for example, would express the value of a pound of the various qualities of his tea, in centesimal parts of the value of the standard unit, thus: .25, .50, .75; or if of greater value than the unit, thus: 1.50, 2, 3, and so on; and he would adopt the same definitive language in naming the amount of value belonging to a given quantity of any other product.

This method avoided the immense mental labor, and the uncertain results, inseparably connected with the plan of estimating the value of each separate product by comparing it with the respective values of every other kind of product. It established, in truth, a measure of value, albeit imperfect, but none better has been discovered to the present day.

By this method, the estimated relative value of all products mights be readily computed, and their exchange consummated without the intervention of the wheat, just as we now witness the direct exchange of one product for one or more others, by merely computing the value of each in dollars and cents. It must have been soon perceived, however, that barter, or the direct exchange of one product for another, was a very expensive and imperfect method of effecting exchanges. It not only compelled products to taken a very circuitous

route in travelling from producers to consumers, but it confined the division of employments mainly within the narrow limits of producing finished objects of desire, and thus prevented the development of manufacturing arts as a distinct division of production. The method of barter required every merchant to keep a sort of bazaar in which would be found a portion of each of the varied commodities of the world, and to be willing to give any one or more of them in exchange for an equivalent of any other. This task must have been difficult if not impossible for individual merchants to accomplish, and if they succeeded, it must have been at a prodigious expenditure of industry and capital, for which they had to be reimbursed by the receipt of commissions correspondingly high. It was therefore but imperfectly that even finished objects of desire were exchanged by this method; while it must have been found, very often, altogether inadequate as a means of exchanging values which had not received their perfect forms. For instance, it cannot be supposed that the merchant was able to keep on hand the incomplete portions of watches, clock, knives, wagons, ships, and of all other machines, as well as the finished machines themselves; and unless he did so, each producer of value must have found it necessary to give his products their finished forms, or else submit to a series of unprofitable exchanges, perhaps even more adverse to gain. Beside these illustrations which apply to commerce in its narrower sense, there are many other transactions of life that properly belong to the commercial department of production, which could scarcely be consummated by the method of barter. The traveller, for instance, would have to carry with him a great variety of commodities to meet the diversified wants of his journey,

and even then, it is not improbable that he would be on some occasions, compelled to forego his dinner. The owner of real estate, wishing to dispose of his property and to change his residence, would be likely to find it about as practicable to take with him his houses and lands as to transfer the bulky and ponderous articles offered him in exchange. In short, much of skill, labor and capital must have been consumed in making exchanges by the awkward and imperfect method of giving one surplus product for another, while the products themselves were diminishing in value by the corrosions of time. Therefore, to overcome the hindrances to a free and profitable interchange of commodities, something more was required than a mere standard of value by comparison with with which the relative value of all other commodities might be ascertained. In order to avoid the method of barter, it was found necessary to have an intermediate agent of transfer. Accordingly, to subserve this purpose, the machine called Money was invented and constructed.

After the problem of measuring value had been solved by the conception and adoption of the plan just described, the invention of money did not require much genius, nor its construction much skill, nor its adoption much judgment, and yet it has proved to be one of the most important and efficient of all the machines invented and fashioned by mankind.

The invention consisted simply, in taking the standard of value and using it in the two-fold capacity of a measure and an instrument of transfer,—that is to say, the recognised standard of value, by comparison with which all other values were measured, was taken from its resting place and made to perform the office not only of measuring values but of transferring them,

by being given in exchange for them. Instead of remaining passive and measuring values by comparison, the standard was thenceforward required to change place with the values measured by it. In being made to perform this twofold office, it was transformed into a circulating medium, standing ready, everywhere, to measure and transfer all other values in search of a market.

The construction of this machine, like that of most other useful inventions, was at first rude and imperfect; for history informs us that wheat, iron, oxen, tobacco, and many other things, have, in their turn, been used as the materials of money. Wheat, in virtue of its great uniformity in cost and in quality, answered very well for a standard by which to compare values, but from its great weight and bulk as compared with its value, it has been found altogether unfit to be used as an instrument of transfer. That office requires large value in small compass and weight; a material that is hard, durable, easily measured and difficult to imitate. Gold and silver have been found to possess all these qualities, as well as those which constitute them good measures of value, and hence we find, that the commercial world has, with great unanimity, adopted them as the materials of money,—or more properly, as the material of the basis which supports the superstructure of convertable paper money. There can be little doubt that these are the best materials which have yet been used in the fabrication of money, in the present imperfect form of that instrument—a form in which its magnitude is made to depend on the cost of producing it, or on the quantity of value inherent in its material. It is believed, however, that this attribute may be partially if not wholly dispensed with, by adding another section to the plan of the machine. The

subject will be discussed in a subsequent chapter, to which the reader's attention is specially invited.

Aided by this mighty auxiliary, commerce now finds no difficulty in either measuring or transferring values. Her votaries stand ready to carry the interchange of commodities to the utmost limits of profitable circulation, except where hindrances are interposed by unjust or absurd legal restrictions. These, however, are fast fading away before a more enlightened public judgment, and it is hoped that a few years more will serve to place them on the list of passed errors.

Thus aided by commerce, the division of employments has been permitted to take an unlimited range, and to adopt whatever subdivisions the sagacious promptings of personal interest have deemed proper to dictate. By this means, industry has been rendered more skilful, machinery more various and perfect, land more fertile, and, consequently, wealth more abundant. Commerce has not only given potent aid to the development of wealth by facilitating its processes and increasing their number, but it has completed the metamorphosis which the Social Contract projected and set in motion; for, in presenting the means of exchanging values, it has given to the previously insulated parcels of wealth the attribute of interdependence, whereby they are all linked together, and in a measure blended into a single mass. It has thus changed the character of wealth from individual to social, and thereby rendered the transformation complete.

The increased development of wealth, resulting from the social expedients named hitherto, betrayed the want of another section to render the plan complete. As the aggregate of capital augmented, it was found to be very unequally distributed. In the hands of those who were

skilful, industrious and frugal, and who had withal some capital and land to aid them at the commencement, it accumulated in volumes so large as to become in a measure unproductive, while those destitute of these advantages were without either capital or land to concur with their industry. The wealthy had more capital and land than they could profitably employ by means of their own industry, the poor had less than their industry required; consequently, it must have been seen that much of each must remain idle and unproductive, unless this defect in the plan of social wealth could be remedied, especially since, as before remarked, the four prime agents of production must labor in concert if they labor at all. How should this new difficulty be overcome? An obvious means presented itself—namely, for the wealthy to hire the industry of the poor, and thus set in motion the surplus productive agency belonging to each. This remedy was, doubtless, the one first adopted, but it must have been found altogether inadequate, because the successful prosecution of many of the arts of production requires that the capital concurring should be, during the process, in the possession and under the exclusive control of the proprietor of the concurring industry. For this reason, it is requisite to unrestrained production, that the wealthy sometimes loan their capital and land to the poor, as well as that the poor loan their industry to the rich. In the one case, the poor retain possession of the fountain of their industry, transferring to the wealthy, for an equivalent, merely a stipulated portion of its services; while in the other case, the rich transfer to the poor, for the time agreed upon, not only the productive service of their capital but the capital itself. This the latter might neglect or refuse to return, and there were no existing means of com-

pulsion. For any thing we have yet seen, the right of property did not extend beyond its absolute possession. The powers of government were competent to prevent and punish acts of spoliation, but it had no authority to aid men in recovering that which they had voluntarily surrendered to others. The temporary transfer of property, was, clearly, the only method whereby surplus industry, capital and land could be fully and effectively employed; and in view of that fact, it was resolved to devise a plan for securing its return to its proprietors. In execution of this purpose, the government machine was so enlarged as to recognise and enforce, and thereby establish, a new right, which, for want of a better name, has been called the right of property in actions. This right consists in the recognition and enforcement of the obligation of contracts. In other language, the government machine was so enlarged as to recognise as property the bare promises of men to deliver it at a stipulated period, and to enforce the fulfilment of these promises, thus establishing the right of what may be termed representative property.

This additional section of the government machine has been appropriately named, the Credit System. Credits, based upon capability and integrity of purpose, and prompted by the desire of gain, must have prevailed before the adoption of this system; but in the earlier ages, when the moral sentiments and intellectual faculties of man were more subject to his animal propensities than they now are, credit, thus based, was doubtless confined to limits of the narrowest kind. It was sufficient, however, to give a foretaste of its advantages, whence mankind were induced to adopt the social device just named, with the view of enlarging its boundaries.

Credit is a most effective expedient in the production

of wealth. It unites the surplus capital and land of the wealthy with the surplus skill and labor of the poor, thus enabling the four to serve in concert in the production of value, while it secures to their respective proprietors equitable portions of the revenue. It thus not only removes an obstacle to production, but supplies a motive which prompts to action the productive powers of these otherwise idle agents. The social machinery by which the right of property in actions was established and the obligation of contracts enforced, greatly enlarged the limits of credit, and, in perhaps an equal degree, its productive capabilities; but the injuries inflicted by the legalization of credits are also great, and it may well be doubted whether mankind are, after all, really gainers by this extraordinary enlargement of the province and machinery of government. The subject will be examined in a subsequent chapter, with the view of resolving this problem.

Such is an imperfect outline of the nature of wealth, of the prime sources whence it emanates, and of the social plan which the more enlightened division of mankind have devised and established for for the purpose of promoting its development and guarding it from violence. All other means employed, or instruments used, in the diversified processes of production, are either free, unappropriated agents, or else special in their design and application, being intended to promote some specific operation in a given art. These last may be regarded as constituting the elementary principles of the various arts of production, and hence, dissertations on them do not come within the province of a work on this science, but belong properly to treatises on the arts of production to which they respectively relate. The arts of production may be regarded as the instru-

mentalities with which individuals have wrought out the superstructure of social wealth, in conformity with the outlines and plan indicated by science and established by society. Science indicated the outlines, society adopted the plan, nature furnished the materials, individuals and the arts performed the work. Skill, labor, land, and capital in the infinite variety of its ingeniously devised forms, are the productive forces subject to the control of individuals; the right of property, especially in land, commerce, money and credit, afford the means of employing them advantageously, and of preserving their fruits.

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CHAPTER III.

OF THE NATURAL LAWS

WHICH GOVERN THE PRODUCTION, DISTRIBUTION, AND CONSUMPTION OF WEALTH.

General remarks.

Having shown the origin, design, and nature of wealth, and having explained the nature and attributes of the social plan established by a portion of mankind for the purpose of facilitating its creation, we are now prepared to trace out, understandingly, the principles which govern its production, distribution and consumption. This is no holiday task. Commerce and money have so interwoven these principles with the fabric of social wealth, that, to evolve them with clearness and method, it is requisite the effort should be accompanied with a much higher order of analytical powers, a more practiced pen, and a clearer knowledge of the subject, than I claim to possess; but I hope, nevertheless, to furnish hints which may serve to point out the way to those who are better qualified for executing the task.

In order that the reader may be apprised of my object, and thus the more readily apprehend the drift of my arguments, it is deemed proper to state first, in the form of general propositions, the truths which this chapter is designed to unfold. It will be shown:

1, That self-interest governs the production and distribution of wealth, the desire of happiness its consumption; that, considered in the aggregate, the desire of happiness, under the guidance of the intellect and the

various degrees of restraint imposed by the limitation of means, indicates the character and relative quantities of the products desired, thus controlling the demand; and that the self-interest of mankind so directs the employment of the productive forces that each object of desire is produced in quantities exactly corresponding with the permitted demand for it, thus controlling the supply.

2, That the quantity of *true value* inherent in any given product, is not only equal to, but identical with, the quantity of productive service incorporated with it; that the *market value* is sometimes greater than the true value and sometimes less, but if measured at their mean the two are equal in quantity; and that, although the *money value* or *market price* rarely coincides with either the true value or the market value, yet when reduced to its average and thus measured, the quantity does not vary from that of either. Estimated in the aggregate and regarded as units, the true value, the market value and the money value of products, or of any given product, are absolute equivalents.

3, That value is made up of two well defined but unequal parts—namely, cost of production and profits.

4, That the proprietors of the aggregate of skill, of labor, of capital, and of land, respectively receive one quarter of the gross profits of production, the whole being divided into four equal shares; and hence, the greater the aggregate quantity of either one of the productive forces, as compared with the other three, the lower will be the relative profits of its individual proprietors, and *vice versa*.

5, That land, aside from its meliorations, does not possess real value—its market value and money value being merely the legalized reflection of the capital placed upon it; and therefore, that the market value of the

aggregate of land (independent of meliorations) is precisely equal to that of the aggregate of productive capital.

6, That the profits of production vary, *inversely* with the market value of land; when the one is high, the other will be correspondingly low.

7, That the profits of production, whether considered in detail or unity, vibrate about a common standard; and that this standard itself oscillates about a fixed centre, which is believed to be about five per cent. per annum on the value of the productive forces employed.

8, That the portion of value constituting the cost of production returns to the sources whence it emanates, and is there consumed in the preservation and reproduction of skill, labor, capital, government and money; that the portion constituting the profits, is applied, in part to the augmentation of skill, labor and capital, and the balance to the gratification of the non-essential desires of its owners,—the productive forces now existing being the accumulated profits of the present and all preceding generations.

9, That the profits of production in the aggregate, vibrate within the range of $2\frac{1}{2}$ to $7\frac{1}{2}$ per cent. per annum, being not only restrained from transcending these limits by starvation on the one side, and by a dense crowd of liberated desires on the other, but also, driven back towards the centre by the undue consumption of capital at the one extreme, and of population at the other.

These propositions present, in a condensed form, the leading features of what have been appropriately named the Natural Laws of Trade. The present chapter, as already stated, is an attempt to unfold this portion of nature's code; and the discussions it will embrace are

designed to demonstrate the truths and fill up the outlines presented in the foregoing propositions. With the view of simplifying the subject as far as possible, and in deference to precedent, I shall prosecute the inquiry under three separate heads, namely, Production, Distribution, and Consumption; but I must in candor say, that the three classes of laws are so woven together and interlinked, that my powers of analysis are not equal to the effort of separating them perfectly and clearly.

It may be well to premise that the reasoning of this chapter is based on the assumption, that government interposes no hindrances to obstruct the paths of production,—such, for example, as monopolies, duties, bounties and usury laws—but confines itself to the exercise of its legitimate functions: namely, to the protection of life, liberty and personal faculties; to the protection of value; to the creation and protection of legal value in land; to facilitating the operations of commerce by establishing uniform standards of weights, measures and money, together with simple and concise rules for the government of parties exchanging products at the instant of transfer; and to the protection of representative value, by enforcing the obligation of contracts. With these explanations, I will now proceed to the investigation of the highly important and recondite principles involved in the subject presented.

SECTION I.

Of Production.

In treating of the nature and plan of social wealth, I confined my inquiry into the laws of human nature, to that portion of them with which we were then concerned,

and which were mainly social in their character and tendencies. The general expedients and machinery which permit and facilitate the creation of value, being adopted by the social body for the purpose of benefiting its different members, it was not necessary, nor even proper, that other than social motives and actions should be brought in review, while tracing out their origin, nature and design. But now, when we are about to consider the phenomena which have resulted from this social plan, and to trace the natural laws which govern the production, distribution and consumption of wealth, it is necessary that we look upon mankind as individuals, as well as members of society, and that we scan closely their motives and actions as such.

Before the intervention of commerce and money, when each proprietor consumed the identical value produced by the service of his own agents, every one must have been impelled, by his desire of happiness, to employ his productive forces in the creation of such objects of his own wants and desires as his judgment indicated as the best adapted to promote that end. This sort of production required, in the choice of pursuits, no other exercise of judgment than that now required in making purchases for direct consumption; the two cases are precisely analogous. The desire of happiness, guided by the understanding, was then the governing principle of production, as it still is of consumption. But when, by means of commerce and money, individual wealth was transformed into social wealth—when the insulated parcels of value, in all its varied forms, were so blended as to constitute as it were a single mass, out of which each contributor might select his portion in the form best adapted to his individual wants—the case was widely different. It then became expedient for producers to

be guided, in the employment of their agents, by the aggregate of human wants rather than by their own, since, by exchanging equal values, they could thus more successfully procure the ultimate objects of desire than by the direct method of employing their own agents in their production. This system required a very different exercise of judgment from that which preceded it, and, as we shall see presently, it necessarily called into being a new form of the selfish principle, to stand between the desire of happiness and that portion of the objects of desire which are rendered such by artificial means, for the purpose of aiding the former in the procurement of the latter. This principle is called Self Interest.

I have shown that when value became subject to exchange, it was essential that means should be devised for determining its quantity, as without some knowledge of that, commerce could not perform its office. I have also shown that the skill and labor of mankind, the auxiliary machines which they have fashioned, and the natural utility that they have appropriated, are the sources whence all value emanates;—that it is the joint service of these sources, blended into compound streams and incorporated with natural products in such ways as to augment their utility, which imparts to those products the attribute, value. From these premises results the legitimate—nay, unavoidable inference, that the quantity of value in any given product is not only equal to, but identical with, the quantity of productive service incorporated with it. This may, indeed, be regarded as an unerring rule for determining the quantity of true value inhering in commodities, because self interest never fails to direct producers to employ their productive forces in such methods as they believe will net them, ultimately, the largest amount of utility.

Now let us for the present assume, that when the expedient, commerce, was first adopted, means were provided for measuring value correctly, and that the law required every exchange to be made in absolute equivalents, i. e., in equal quantities of true value. Under this arrangement, every producer, as a matter of course, set about the creation of value in the form deemed best adapted to the nature and circumstances of his productive powers; for he knew, in the first place, that he could thus produce the largest quantity of value, and in the next place, that he could contribute it to the mass of social wealth and take thence a true equivalent in whatever form his desire of happiness chanced to dictate. With production governed by this rule, and consumption governed as it now is and as it must have been then, by the desire of happiness, subject however to such restraints as were imposed by the intellect and by the limitation of means to secure its objects, we may readily perceive that the mass of social wealth could not long have maintained a form corresponding with the wants and desires it was designed to satisfy. The production of some objects must have exceeded the liberated desires for them, while that of others fell short—for I hold it to be impossible for the adaptation of the productive forces and the relative urgency of liberated desires to so coincide in strength as to produce an equilibrium in the supply of, and demand for, even any one class of objects, much less for all—and yet, unless this actually occurred in all, some products must have been placed in the lap of commerce in superabundance, with the surplus to be consumed by time, while others were either entirely withheld or furnished in quantities but partially sufficient to satisfy the liberated desires for them;—for we may safely assume, that no producer would contribute to commerce

objects which he needed more, for the sake of taking thence merely a true equivalent of those he needed less. In illustration, we will suppose that an undue portion of mankind, finding their powers better adapted to the production of wheat than to that of any other object of desire, and knowing the high degree of utility pertaining to that product, directed their efforts to the creation of value in that form. This caused an undue enlargement of the wheat portion of the mass of social wealth, and, as an unavoidable consequence, as will be shown presently, a corresponding diminution of some other portion or portions, say sugar and cotton; in other words, the production of wheat exceeded the liberated desire for it, the production of sugar and cotton fell short of the liberated desires for them. Now, if a bushel of wheat, ten pounds of sugar and ten pounds of cotton, of given qualities, were known to embody, respectively, equal quantities of productive service, and were always exchanged in true equivalents, it is apparent that the case we have supposed would soon divest the floating mass of social wealth of its sugar and cotton portions, while it would uselessly augment its wheat portion. And, under the rule assumed, similar disproportions between all classes of liberated desires and their respective objects must have been produced and perpetuated, because the system presents no compensating power capable of preserving or restoring the equilibrium. In a word, that system would destroy either commerce or its utility, for if prosecuted under it, the evils resulting would greatly exceed the benefits.

In point of fact, no perfect measure of the true value of products ever has been, or can be, provided; but some governments have, nevertheless, so far erred in their policy as to require the exchange of certain pro-

ducts to be made in what they assumed to be true equivalents. The legislators of France, for instance, about the beginning of the present century attempted to establish legal prices for bread and flour; and they soon realized the fruits of their folly in the aggravation of the evil they were attempting to remedy. They fixed the legal value too low and it banished the products. If they had put it too high, and made it permanent, most of the wealth of that nation would have been long since converted into bread and flour. Provided with means to determine the true value, their attempt would have been worse than nugatory; with no better measure than that afforded by money, and especially such vile money as France possessed at that time, the act savors of madness.

If, then, the true value of products cannot be ascertained with precision, nor their exchanges made with advantage under the rule of invariable equivalents, even with the aid of a perfect measure, how, and by what rule, is commerce governed in the exchange of values? How is the equality of liberated desires and their respective objects maintained? Where is the great balance wheel which preserves, in relation to each product, as well as to the whole mass of social wealth, the equation of supply and demand? Let us remove the assumed restriction and we shall soon see.

Instead of attempting to enforce the impracticable rule we have been considering, the founders of commerce, after having provided the best measure of value at their command, gave to the parties of every act of exchange perfect freedom to determine for and between themselves what quantity of their respective products constituted equivalents, and in the event of mutual agreement, to make exchanges accordingly. Men were thus permitted to take greater value in exchange for

less, provided they could find others willing to give it; or to give more for less if they so desired.

Such is the rule by which commerce determines equivalents. In its adoption originated the necessity of a modified form of the selfish principle to preside over the exchange of values and their production, so directing both as to secure to each individual, in forms adapted to his desires, the largest possible amount of utility that his productive forces were capable of yielding. In obedience to the necessity, Self-Interest has been called into being, and has taken her place as the presiding genius not only of commerce, but of every other department of production; and we shall find that she so rules, as to preserve, with admirable uniformity, the equalness of liberated desires and their objects. The supremacy of this principle in all matters relating to the production and distribution of wealth is so universal and invariable, and the fact so notorious, that no argument is needed to demonstrate either its existence or supremacy: if not self-evident truths, they are equally well established by the universal experience of mankind. But in view of the odium cast upon this principle of human nature by means of blind epithets emanating from prejudice and error, it may be well to say that it is just as necessary to man as gravity is to matter. If, in matter, the force of attraction were not greater than that of repulsion, we should find masses and particles repelling each other until all things returned to their original atoms or ether. So, if the selfish principle were not stronger than the social, if men were not more mindful of their own interest than of the interest of others, we should see value repelled by every one, and thus utterly destroyed, and with it the human race, for I have shown that life cannot be preserved without it.

It was for a wise purpose, therefore, that the productive agents and the value created by their services were placed under the control and direction of the personal interest of their individual owners; the welfare and even the existence of the race required that it should be so. Nor are there any evils resulting from the controlling influence of self-interest, provided it be kept within the confines of justice, and thus restrained from the commission of trespasses on the rights of others. Unfortunately, such trespasses often occur, notwithstanding the threefold restraint existing in the Divine law, the conscience, and the laws of society. They are, however, but instances of the undue vibration of the principle in one direction, as bankrupting munificence and improvidence are in the other.

Let us now see what direction this ruling principle gives to the productive forces, and by what means it keeps the supply of each class of products on a level with the demand for them.—We will suppose that when commerce first assumed her office the scientific plan of wealth and the arts of production were both so imperfect, and productive capital so scarce, that mankind were able to provide for no more than the first three circles of their wants—namely, the want of food, of clothing, and of tenements; that in obedience to the invitations of commerce, they divided themselves into four classes, one class to produce food, one clothing, one tenements, and one to perform the offices of commerce—each individual selecting the department for which he deemed his productive forces best adapted; that it so happened that the requisite numbers entered into commerce and into the production of tenements, but too many into the production of clothing and too few into that of food, so that there was more of the one and less of the other produced than their respective

liberated desires demanded. The commercial class, acting as the carriers and intermediate agents of the other three, had commenced, we will suppose, the interchange of their respective products on the system of true equivalents—as nearly as these could be ascertained,—distributing the commissions charged for their services equally on the products of each. But perceiving that the supply of food diminished while that of clothing increased, the merchants must have soon discovered that they had committed an error,—that they should have estimated equivalents by the relative intensity of the desires for the respective products, as indicated by demand, instead of being guided by the quantity of productive service incorporated with them; and they resolved thenceforward to be governed by this rule. Accordingly, they demanded of the producers of clothing, say two measures of true value in that form, in exchange for one measure in the form of food; and the latter were compelled to accept these conditions, since they could not otherwise quiet the imperative urgency of appetite. But it at once aroused their sleepless guardian, Self-Interest. She pointed out to them the undue profits of the producers of food and the corresponding losses of their own class, and directed a portion of them to transfer their productive forces to the food department. The order was as implicitly obeyed as it was promptly given—for all men yield a willing obedience to the dictates of self-interest—and the inevitable consequence was, a subsequent excess of food and scarcity of clothing; perceiving which, self-interest called back a portion of her votaries, which again produced clothing in excess; and so on, with lessening vibrations, until the equilibrium was restored.—And when, by reason of more perfect knowledge in the science and arts of production, or from other

favoring causes, there came to be a simultaneous excess in the supply of food, clothing, tenements, and commercial machinery—when the liberated desire for each was fully satisfied without consuming the whole of either class of objects—the first consequence must have been the liberation of the next outer circle of desires ; the next, a demand for their objects—a demand more intense than for either of the others, because of the relative scarcity of these ; and finally, a mandate from self-interest, directing a portion of her votaries to produce those objects, and thus equalize the intensity of supply and demand. When, on the other hand, from the feebleness of production or other adverse causes, the demand for all classes of products exceeded their supply, the outer circle of liberated desires was driven back and again chained up. Self-interest then concentrated her forces, and directed their employment in the production of objects adapted to the satisfaction of the more imperative desires, which still remained free, thus again equalizing the intensity of supply and demand. In other words, when production augments, it enables the desire of happiness to set free a previously enchained circle of desires ; these, after long abstinence, vehemently demand their objects, perceiving which, self-interest directs the creation of a new class of products adapted to their gratification. When production diminishes, the outer circle of desires and its corresponding class of products, are, in the same manner, suppressed. Thus self-interest not only keeps the supply of each separate class of products on a level with the demand for it, but maintains the equation, or equalizes, the intensity, of supply and demand as it relates to the aggregate of wealth.

We find, then, that the market value of products, or commercial equivalents, are determined—not by estima-

ting the quantity of productive service which they respectively embody, but by the relative magnitude of liberated desires and their existing objects, as indicated by supply and demand at the time the exchange is made. For example, when the existing quantity of food and the aggregate liberated desire for it are coincident—when the supply of and demand for food are of equal intensity —we consider the desire and object as agreeing in magnitude; and so of the others. So long as this equilibrium continues to exist, commercial equivalents are true equivalents. But when, as in the case we have supposed, the supply of food fell short of the demand for it, its market value expanded, which expansion lessened the liberated desire by increasing the difficulty of procuring its object, so that the equality of the two was preserved. The market value of the object was expanded by its scarcity, the liberated desire was contracted by the expansion of the value, until they met, and again corresponded in size, at a point somewhere above the then existing magnitude of the object, and below the natural magnitude of the desire—perhaps midway between the two. In virtue of the same causes, the excess of clothing contracted its market value and enlarged the desire for it, until the two met at a point as far above the natural magnitude of the desire as they did in the other case below it. The equation of supply and demand which existed in reference to tenements, left the market value of the latter coincident with their true value.—With the value of food thus expanded, that of clothing thus contracted, and that of tenements in its natural state, commerce took equal volumes of each and called them equivalents. The producers of tenements were therefore losers in their exchanges for food and gainers in their exchanges for clothing; what they lost by the

expansion of value in the one, they gained by its contraction in the other. The producers of food, when they exchanged with the producers of tenements, gave a measure of rarified value for one of medium density, and when they exchanged with the producers of clothing they gave a rarified value for an equal volume of a condensed one; hence, they were gainers and the producers of clothing losers. The expansion of the market value of products augments the profits of their producers, the contraction diminishes them; but the self-interest of mankind is ever on the alert, and constantly shifting the distribution of the productive forces in such a way as to transfer the pressure from compressed to expanded values, so that the *market value*, in all classes of products, ultimately arrives at the point of natural density; or if the oscillations continue, in any given case the sum of its expansions exactly equals that of its contractions. Observation seems to indicate that these oscillations are, in fact, continuous in all cases. They vary in degree, being at one time greater, at another less, but never cease entirely, so numerous are the disturbing causes, both natural and artificial, by which they are perpetuated. When, for example, the market value of a given product has been expanded by an under supply, we find that the diminished demand and the increased supply thereby generated, rarely if ever fail to produce a corresponding compression. A change in tastes, habits, circumstances, and many other causes, also tend to perpetuate these oscillations by affecting the market value of products. But amidst them all, self-interest never fails to maintain her supremacy. Ever true to her office, she so governs the employment of the productive forces that the supply of and demand for each and every class of products regularly alternate in their preponder-

ating force ; so that their market value contracts and expands with almost as much uniformity as that with which the pendulum vibrates when searching its gravitating rest ; and like that, the sum of its variations will be precisely the same on either side of its gravitating centre.—From these premises we may safely infer, that although commercial equivalents are rarely if ever true equivalents, yet, if considered in the aggregate and measured at its average density, the *market value* corresponds with the *true value* ; and therefore, in the aggregate commercial equivalents are true equivalents. *True value* is of invarible density ; *market value* expands and contracts, but every expansion begets a subsequent contraction, every contraction a subsequent expansion, so that the aggregate of the one exactly equals that of the other. The *market value* therefore, if taken at its mean, may be regarded as identical with the *true value*, and the best known indicator of the latter.

Having thus pointed out the basis of *true value* and of *market value*, and marked the features in which they differ ; having shown that the latter is subject to alternate expansions and contractions, and that commerce takes equal volumes of it and considers them commercial equivalents, whatever may be the relative density of the two portions exchanged ; and having shown that the degree of expansion, or of contraction, is ascertained by the relative intensity of supply and demand at the moment the exchange is made, it now remains to be shown in what manner its volume is measured. Ability to determine the degree in which value is expanded or contracted, were useless knowledge, unless its actual volume could be ascertained, or at least approximately determined by some sort of measurement. Without a knowledge of the actual volume, as well as of the

degrees of expansion and contraction, commerce would be unable to determine what quantity of any two products constitute, at the moment of exchange, commercial equivalents.

I have already shown that the method adopted is, the selection of a product of value, to be used either as a standard with which the volume of other values may be ascertained by comparison, or as a machine by which they may be actually measured, and also transferred, the machine being one of the equivalents in each act of exchange. This instrument of commerce is called money. These are familiar facts; but in order to ascertain the elements of *money value* or *market price*, it is requisite that we also know with what degree of truthfulness this instrument performs the office of measuring values. To this investigation we will now proceed.

At the threshold, we are met by a prevalent error which so obstructs our path that it must be refuted before me can hope to make much progress. The doctaine has been taught, and generally received as true, that the adoption of gold and silver as the materials of money greatly increased their value. This is an error. It has widened the sphere of their utility, but in nowise affected the amount of value belonging to specific quantities of them; unless, indeed, it has *diminished* the amount, for according to the general maxim of producers, the larger the *quantity* demanded the cheaper the *rate* at which the article can be furnised. Before their adoption as the materials of money, they each possessed the two essential elements of value, cost of production and utility. In the form of plate and in other devices, they served to gratify a clamorous circle of human desires. They were called for to the extent that these desires possessed the means of securing

their fruition, and, under the direction of self-interest, they were produced to an equal extent—subject, however, like all other products of value, to the alternating preponderance of supply and demand. In these forms, gold and silver constitute finished objects of desire, and they are consumed, albeit slowly, by the identical desires which first prompted their production. But their selection and adoption as the materials of money, gave birth to a new desire for them in the form of coin. In this case, the desire did not call for a direct object of consumption, but merely for an intermediate agent capable of aiding it in obtaining such objects—in a word, for a productive machine, to be placed as an additional link in the circuit which connects the primitive desires with their ultimate objects, and which aids so potently in bringing the two together. This new desire generated an additional demand for gold and silver, which at first caused their value to expand; the expansion increased the supply, which, in its turn, contracted the value, so that after a few enlarged expansions and contractions, the market value of gold and silver returned to their ordinary oscillations about the point of natural density,—the only ultimate consequences being a great enlargement of their sphere of usefulness, and a corresponding augmentation in their production.

Either one of these metals would serve as the exclusive material of money, nearly as well as both. The obvious reason why both have been employed, is the well known fact that gold, in virtue of its high cost as compared with its bulk and weight, is more convenient as a measure of large values, while silver, by reason of its low cost, is better adapted to serve as the measure of small values. I shall, therefore, for the sake of con-

venience and perspicuity, consider the material of money as consisting of a single product—say, silver.

I have shown that silver in the form of bullion has two desires to satisfy, the desire for plate and other articles into which it is wrought for direct consumption, and the desire for coin to serve as an auxiliary in the production of wealth. Silver is thus made to assume three distinct forms; bullion, plate and coin. The market value of each of these will vibrate in accordance with the relative intensity of supply and demand, as they happen to exist in relation to either at any given moment; but since bullion, plate and coin are readily transformed into each other without much expense, we may safely assume that their respective market values vibrate in unison;—that when an augmented demand or diminished supply of coin expands the value thereof, the value of silver in every form is simultaneously expanded in an equal degree, and *vice versa*. Let us then first ascertain what constitutes the utility of silver in the form of coin, see what place it occupies in the great laboratory of production, and what service it is required to perform. We shall thus learn not only the nature of the desire for money, and the extent of the demand to which it gives birth, but another highly important fact, the existence of which seems to have been entirely overlooked hitherto: namely, that the natural laws of trade award to the money machine a standard magnitude from which it cannot depart without setting in motion the requisite influences to bring it back.

The purpose of money is to measure and transfer surplus values; i. e., products intended for passing through the channels of commerce before reaching the hands of their consumers, together with the two transferable productive forces, capital and land. These con-

stitute much the larger portion of the gross creations of value—including the value added by the manufacturing arts and by commerce, probably not less than nine-tenths of the whole. The subordinate machinery of commerce transports these products from producers to manufacturers, merchants, or consumers, and money is the lever standing ready to measure and transfer them, by presenting an equivalent in a portable and convenient form. This is the only office of money, and in the performance thereof consists its utility. It was for this purpose alone that it was devised, and we may search over the entire domain of production, examining as we go, every process, without finding it employed in any other service. Therefore, the true magnitude of the aggregate desire of money is equal to the quantity required to perform that office. Without stopping to perform the difficult, and, at present, uncalled for task, of estimating and expressing in numerical language, the precise quantity of money required in order to render the value of the object equal in magnitude to the desire, it will be sufficient for our purpose to state the actual result as evidenced by the statistics of money. These show, that, at the present cost of producing gold and silver, the standard magnitude of the money machine, if expressed in dollars, is equal to about fifteen times the number of inhabitants in the commercial world; and that this ratio varies but slightly when the estimate is confined to any given nation, district, city, town, or village. This appears to be the quantity of money required to fill the channels of circulation to that natural degree of fulness in which no portion of the machine is either idle or overtasked. Now, it is apparent that whenever the supply of money either exceeds or falls short of this the true quantity demanded, the correctness of its mea-

surements is destroyed, because the aggregate of money, whether large or small, must perform the service of measuring and transferring all other values in search of a market. If too small, i. e., if below its standard magnitude, its value must expand to render it equal to the service required of it; if too large, the value must contract to prevent any portion of the machine from remaining idle. In the first case, the profits on the production of silver are enhanced, in the second they are diminished; so that in either case, the natural laws which preserve the standard magnitude of this machine are speedily enforced.

From these positions it follows, that whenever the quantity of money in circulation falls below the natural standard, the money value or market price of all other products is less than their market value,—in other words, a money equivalent is then less than a commercial equivalent. When, on the contrary, the money machine is too much enlarged, then the market price of all other products is higher than their market value—a money equivalent is then greater than a commercial equivalent. True, in these cases, as in all others, self-interest causes supply and demand to so alternate in preponderance that the market value of silver, if taken at its mean, is identical with its true value; but the expansions and contractions of its value render it defective as a measure of other values. The value of silver is used to measure all other transferable values, and to be given, as equivalents, in exchange for most of those actually transferred; and inasmuch as the measure itself is subject to expansions and contractions, the *market price* of commodities must be at best but a variable and uncertain exponent of even their market value, and a still more erring one of their true value.

To render silver a correct measure of the *true value* of other products, it were requisite that the market value of all products, including silver, should vibrate in unison ; i. e., they should all simultaneously expand, and that in the same degree, and contract with like uniformity. This is known to be impossible; indeed, so far is it from the possible, that no two classes of value can be made to vibrate thus in unison. We have seen, however, that values could not be exchanged on the principle of true equivalents, or equal volumes of value at its natural density, even with the aid of a perfect measure. Hence this sort of measure is not essential to the operations of commerce.

To render silver a perfect measure of the *market value* of other products, it is indispensable that its own value should be of uniform density,—that its volume should neither expand nor contract, but remain as steadfast as that of the bushel. Then the dollar would invariably stand as the measure of a definitive *volume* of market value, as well as a definitive *quantity* of true value ; and whenever another product should be brought forward to be measured by it and exchanged for it, equal volumes of each would be exact commercial equivalents, whatever the degree of condensation or inflation of the market value of the variable product; in which case, the marked price would be a true indicator of the market value. But the market value of the dollar being as variable as that of all other products, the actual results of its measurements must be equally variable and uncertain. They may be compared to measurements of wheat in a bushel, where both are subject to irregular expansions and contractions. Place the wheat in the bushel when one is in its paroxysm of expansion and the other of its contraction, the result

must differ widely from the true measure; and it is precisely thus that money measures the value of commodities. For example, take an ounce of silver and a bushel of wheat, and suppose them to embody equal quantities of productive service; they are, therefore, true equivalents; and, when supply and demand in relation to each are evenly balanced, they are also commercial equivalents, and money equivalents. Now, suppose that with the value of silver remaining undisturbed, the supply of wheat so far exceeds the demand that two bushels of it will be given for one ounce of silver; then, it is apparent, the value of wheat is condensed to half its natural volume, and hence, that two bushels of wheat and one ounce of silver bear to each other the relation of commercial equivalents, and also, of money equivalents, but not of true equivalents. If we suppose a simultaneous and equal condensation of the value of silver, then the money equivalent would again coincide with the true equivalent as well as with the commercial equivalent. But if a corresponding degree of expansion in the value of silver should occur simultaneously with the condensation of value in the wheat, then one ounce of silver and four bushels of wheat would be money equilents, although the market value of wheat, as compared with the value of products generally, would have diminished but one half: while one ounce of silver and one bushel of wheat would still remain true equivalents. Hence we find, that whenever a deficient supply of money augments the market value thereof, the market price of commodities is less than their market value; and when the market value of money is diminished by an over supply or other cause, that the market price of commodities is then greater than their market value. But since the expansions of the market value of money exactly

equal its contractions, it follows that if estimated at its mean, the money value exactly equals the market value, and therefore, the true value ;—that notwithstanding the fact that money equivalents, market equivalents and true equivalents rarely if ever coincide in quantity, yet, if measured in the aggregate, they are equals ; and that, despite the elastic properties of money as a measure of value, it serves, nevertheless, to measure with a sort of vibrating truthfulness, not only the market value of products, but their true value also.—The market value of all products, including that of money by which the others are measured, may be regarded as so many pendulums fastened to a common centre, the true value,—each impelled by supply and demand to vibrate on a line peculiar to itself, and each expanding as it approaches one end of its circuit and contracting as it nears the other, with money measuring all it meets, regardless alike of its own position and volume and those of the others, in the general *melee*. Notwithstanding this seeming chaos, the principles involved preserve order, and diffuse throughout the whole a perfect harmony. Demand, backed by the desire of happiness, stands at one end of each line, attracting depressed value and repelling inflated value ; supply, backed by self-interest, stands at the opposite extremes, repelling values when depressed, and attracting them when inflated, thus causing the aggregate of expansions and contractions in each and every class of values to equal each other, at any given time, and for all time ; and since money is subject to the same laws, and at all times employed in the performance of its office, it follows, that however variable the results in particular measurements, yet, when taken at its mean, the measure is a true one.

It is scarcely necessary to observe that the partial substitution of convertible paper money for coin has in nowise altered the principles involved. The paper is based upon coin, and purports to represent it. The parties accepting it as an equivalent, know, or at least believe, that they can at any moment exchange it for the quantity of coin it purports to represent; whence we may safely infer that the money value of products is not otherwise affected by the substitution of paper for coin, than by the expansions and contractions of the banking system. That attribute of the banking system greatly increases the extent and the frequency of the *oscillations* of money value, but the *mean* remains the same.—Irredeemable paper money is, however, quite a different thing. Its market value chiefly depends on the amount in circulation, and that is governed by no principle, other than the caprice of the parties issuing it, unless the quantity be regulated by positive law. These positions will be illustrated and enforced in our chapter on money.

Hitherto we have taken no notice of the variations to which the quantity of true value belonging to a given product is subject. I considered the expansions and contractions of the value in the products measured, and in that of the measure itself, sufficiently intricate, without connecting with their solution another variable property of value. But having, as I hope, shown the true nature and relationship of money value, market value, and true value, I will now endeavor to point out the variableness of the latter when considered in connexion with products.

These variations are sometimes temporary and sometimes permanent, as may be readily shown. We will take for our first illustration the product, wheat. We

will suppose that in a season of ordinary bounty, a bushel of wheat embodies one day's service of an individual and of proportionate quantities of capital and land; that in a season of extraordinary bounty, the same quantity of service will produce two bushels of wheat, and that in an unpropitious season it will produce but half a bushel. When produced under these different circumstances, it is apparent that the half bushel, the bushel, and the two bushels of wheat, will, respectively, embody equal quantities of value. These are temporary variations in the true value of a given quantity of wheat. But suppose that agricultural chemistry, or other advancing knowledge, should point out a more perfect method of culture, whereby a given quantity of the productive forces, could, under like circumstances and time, produce twice the quantity of wheat they now do. This would permanently lessen by one half, or 50 per cent, the true value of wheat.

Again: Suppose that one ounce of silver now represents the quantity of productive service indicated above, and that the discovery of richer mines, or advances in the arts of mining and smelting, should hereafter enable like forces to produce double the quantity; this would permanently diminish, by one half, the true value of silver. In point of fact, this consequence followed, and in even a greater degree, the discovery and working of the rich silver mines of Spanish America. Two and a half ounces of silver now contain about the same quantity of productive service that one ounce did before that event. Hence, the true value of silver was thereby reduced from 250 to 100, equal to 60 per cent. This, for a time, must have caused the measure of value to depart widely from the true standard, for it is to be noticed, that the diminished value of that which was more

cheaply produced, lessened in an equal degree the value of all the silver existing at the time. But after the diminished value became adjusted to the enlarged production, the measure returned to the true standard. Two and a half ounces of silver now stand as an equivalent where one ounce did before the diminution of its true value occurred. This is the only ultimate consequence so far as money is concerned.

The true value of all products are thus subject to variation of quantity. But amidst all their changes, whether temporary or permanent, the market value and the money value move with them, and vibrate about them; and there they must ever continue, for they are bound by a chain that cannot be broken unless the governing principles of human nature are changed. When the mainspring of production shall have had its power so inverted that men will be impelled to labor for the advancement of others interest rather than for their own, then, but not sooner, we may expect to see these fundamental laws of commerce and production annulled.

The preceding analysis of market value and price, is so prolix, and has so much of apparent repetition, that it will be likely to exhaust the patience of all who attempt to wade through it; but I have found it impossible to make a fair presentation of my views on the subject in less space. The problems it presents are confessedly the most difficult, and their solution the most important in a practicable point of view, of any that lie within the boundaries of this science; and since it appeared to me that the efforts of other inquirers had not resulted in much real progress, I felt constrained to push my explorations to the bottom of the subject, and to trace out all its ramifications, in the hope of discovering its truths. I think I succeeded so far as to have their general ourlines impressed

on my own mind; but whether I have been equally successful in transcribing them on to these pages, is quite a different matter, and one in which my confidence is weak.

I have now finished the discussion of the principles which seem to me to constitute that section of the natural laws of trade which preside over the production of wealth, rather than over its distribution or its consumption. We are thus prepared to pass to the distributing section, and thence to the consuming; but, as before observed, the three are so blended and interlinked,—the laws which govern either one of these processes have such an important bearing on the other two, that the division has more of form than of propriety about it.

SECTION II.

Of Distribution.

The money value of products, when measured at the mean, being, as I have shown in the preceding section, equal in quantity and volume with their true value, and being moreover, the index which guides producers, as well as the equivalent received by them in most of their exchanges, I shall henceforward employ the term *market price*, as synonimous with true value, except when I have occasion to note its vibrations.

When one individual loans money to another, it is familiar knowledge that he receives a consideration, called interest, for its service or use. This consideration usually ranges somewhere between three and nine per cent. per annum on the amount loaned, though extraordinary circumstances sometimes carry it for short periods beyond those limits. The mean, therefore, is about

six per cent.; but if we deduct one per cent. for taxation and the risk of loss, it leaves five per cent. per annum as the average net revenue of capital in the form of money. Now, inasmuch as money and every other form of productive capital, can be, and are, at the pleasure of their owners, exchanged for each other in equivalent portions, it follows that five per cent. per annum is the mean net revenue of every kind of productive capital; and since productive capital and land are also exchanged for each other in equivalent portions, it follows that the net annual revenue of land is likewise five per cent. These positions carry with them their own demonstration; they are almost self-evident truths, for, with freedom of choice, it is manifest that self-interest will prompt every proprietor of capital, or of land, to select the form which gives promise of the highest net revenue; and with all thus choosing, it is equally clear that the rate of net revenue, in every form of productive capital and land, will be kept upon a level. When the productive forces, called labor and skill, are subject to alienation, as in the case of negro slavery, the net revenue accruing to their proprietors must, in virtue of the same principle, be kept upon the same level. And even when skill and labor are inalienable, they are, like money and all other kinds of productive capital and land, subject to loan for a consideration. True, the loan, in this case, is called hire, and the consideration wages instead of interest or rent, but the difference in names does not alter the principle.—From these premises we derive the inference, that the net revenue of each and all the productive forces conform to a common standard, which, if estimated at its mean, is about five per cent. per annum on the value of the forces employed. In other language, the net annual profits accruing to the

owners of the productive forces, whether considered in detail or unity, are about five per cent., or one-twentieth of the value of the forces employed. Whatever may be the gross amount of value created, all save this is consumed in the preservation and reproduction of the forces themselves; or I should say, rather, that after the share of the product which is indispensable to the existence of the agents producing it, has been absorbed by them, there is found to remain an annual surplus of five per cent., subject to the pleasure or caprice of its owners.

But the question here arises: What constitutes the value of the productive forces, and how may the quantity of value belonging to each be ascertained? Attending to the latter part of this inquiry first, I answer, that statistics indicate, and observation confirms the truth of the following position,—namely: The aggregate net revenue of land is exactly equal to that of capital, and the aggregate net revenue of industry is precisely equal to that of capital and land combined. From this position, taken in connexion with the fact just noticed, that each class of the productive forces yield to their owners an equal per centage of profits, it follows, that the market value of the aggregate of capital and of land are equal, i. e., they are commercial equivalents; and that, if skill and labor were transferable, the market value of the two would be exactly equal to the united market value of capital and land. The importance of these positions will be readily conceded. They relate to the fundamental natural laws concerned in the distribution of wealth, and if the matters-of-fact therein asserted can be establised as ascertained truths, it will be at once perceived that they afford the means of unravelling the

mysteries of this section of the laws of trade. Let us then, first glance at the evidence presented in their support by observation and experience, and afterwards try to ascertain the lines of causation to which they belong, and to unfold the links which connect them with their antecedents and consequents.

In the first place, it is to be observed that land, and that portion of productive capital which constitutes its ameliorations, are so blended that it is impossible to estimate with precision either their respective values or the amount of productive service contributed by each. Nevertheless, if we take a village or city on which to base an estimate, where the meliorations of land mainly consist in buildings erected upon it, we shall be able to separate the value of the land from that of the capital with sufficient correctness to show, that the aggregate of the one about equals that of the other. The statistics presented by assessments of property for the purpose of taxation, invariably exhibit the estimated value of land and its meliorations under the head of 'real estate,' and the estimated value of all other productive capital, under the head of 'personal estate.' Assessments made with the view of obtaining information for the guidance of statesmen, or for historic data, usually observe the same rule of classification. Thus divided, we may readily infer that the value of real estate greatly exceeds that of personal estate, and so these statistics invariably indicate. But if we take the estimate for any given village, town, or city, and from the gross value of the real estate deduct the value of the buildings, and add it to the personal estate, we shall then find them equal, provided the assessment had been correctly made, which, by the way, very rarely occurs.

Now as to observation. Those who are familiar with

the value of property in the city of New York (any other city would serve equally well as an illustration) are aware, that the market value of the land on which it is built is much greater than the value of the buildings; that if each lot and each building in the city should be separately put up at public sale, and sold to the highest bidders, the aggregate price of the lots would greatly exceed that of the buildings. But if the productive capital contained in the buildings should be included with them, then the gross price of the two would be about equal. This is in accordance with our theory, and we think that observation strongly supports the position, if it does not establish its soundness. A striking evidence of its truth is afforded in the well known fact that each lot will bring a price corresponding with the amount of productive capital placed either upon it or in its immediate vicinity. Take Wall street, for example, where the buildings are most costly and contain most of productive capital; there the value of land is greatest. Take a portion of the city where the buildings are poor, and the locality remote from the productive capital employed in commerce; there the value of land is least. Here it should be remarked, that buildings and parts of buildings designed for ornament rather than for use, do not come under the denomination of productive capital. The true test of productive value belonging to a house, store, or other building, is the rent it will command, independent of the ground rent. It is to be observed also, that productive capital influences the market value of land beyond the immediate spot on which it is placed. For this reason it would be necessary, in order to render the two exactly equal in New York or any other city, to include the suburbs and adjoining lands in the estimate.

Again : Little more than half a century has elapsed since the land on which the city of Cincinnati stands, was purchased at one dollar per acre. There was then no capital there. Now there are many millions of capital there ; and hence, we now find the market value of the land, exclusive of the erections, as many millions. It is thus of all other cities, towns, and villages throughout the civilized world ; and it is thus in all agricultural districts, but in these the land and its meliorations are so much more intimately blended that we cannot perceive the fact so readily.

The truth is, the market value of land is merely the reflection of the value of the productive capital placed upon it and in its immediate vicinity. It has no real value of its own—it cost nothing to produce ; but since the laws have endowed it with the vital principle of wealth by subjecting it to individual ownership, it can no longer be obtained without giving in exchange for it an equivalent portion of the capital present and designed to concur with it in the production of wealth.

The truth of our position, that the market value of the aggregate of land, and that of the aggregate of productive capital, are equal, and this whether the estimate be confined to a neighborhood, city, state, or includes the entire domain of civilization, seems, then, to be sufficiently apparent ; and I cannot withhold the expression of my surprise, that all writers upon the subject should have overlooked a fact so obvious and so important. I might content myself with having thus pointed out the existence of this principle, and proceed to adopt it as additional data on which to base my remaining investigations ; but I prefer to push the inquiry deeper. Our knowledge of this principle rests solely upon the evidence of experience and observation. These show us,

that the fact exists as I have stated it, namely, that the market value of land and of productive capital are uniformly equal to each other; but they afford no explanation of the causes from which the phenomenon results, and hence, give no sufficient assurance of its continuance. For aught we yet know, the observed uniformity may result from chance. But if we can show by legitimate deductions from other well established laws, that this phenomenon must necessarilly result from them, then we may safely pronounce it a truth, the existence of which was first indicated by observation, and afterwards verified by deduction. To do this I must proceed to answer the first clause of the question with which we started—namely: What constitutes the value of the prime agents of production?

In regard to the value of productive capital, it has been shown already, that it consists of the services of pre-existing productive forces, and that its quantity, in any given machine, or in all machines, is truly indicated by the average market price. As regards land, it has been shown that, apart from its meliorations, it does not possess true value; that its market value had its origin in the Social Contract, by virtue of that feature thereof which established and enforced the right of property in land; and we know that its market price, like that of every other transferable value, is governed by the secondary law of trade, called supply and demand. In tracing to their origin the vibrations of price in other products, we discovered that self-interest and the desire of happiness so ruled supply and demand as to render the average market price an unerring exponent of the quantity of true value. It is requisite that we now determine what primary laws govern the supply of and demand for land, wherein no true value exists.

Land is an indispensable co-laborer in almost every process of production. It is not only one of the requisites in agriculture, but also in commerce, manufactures and the mechanic arts, because these must have land whereon to erect warehouses, mills, shops and dwellings. In fact, land participates in, and its proprietors receive a share of, every new creation of value, except when the process is executed upon unappropriated land or water. For the present we will overlook the inconsiderable exception, and proceed to consider land as one of the concurring agents in every process of production, and its co-operation as indispensable to success. The co-operation of skill, labor and capital, being, as is well known, also indispensable in every act of production, it follows that value can only be created by blending the services of the four productive forces. The desire of land originates in this necessity. Present a sufficiency of land to concur with all the skill, labor and capital placed upon it, and the desire is satisfied; present more than this, and a portion of it must, for the time being, remain unemployed; present less, and the desire will be but partially satisfied. Wherefore, the magnitude of the liberated desire for land is governed by, and is equal to, the quantity of productive capital placed upon it. The skill, labor and capital engender a desire for equivalent portions of land to concur with them, and the desire prompts a demand precisely equal to the existing supply of productive capital. Let us next see what governs the supply.

Land, unlike either of the other forces, is invariable in quantity and position. How strong soever the demand, or superabundant the supply, the quantity of land can neither be augmented nor diminished, nor its locality shifted, but must remain forever subject to

the boundaries and local distribution ordained by nature. Therefore, the supply of land in any given locality is invariable in quantity. It cannot, like all classes of producible value, be augmented when the demand strengthens and lessened when it weakens, so as to maintain a uniform equality in the magnitudes of the desire and the object; but inasmuch as individuals are its owners, self-interest will direct them to *expand or contract its market value in proportion to the increase or diminution of the demand, so that the market value of the object will at all times correspond in magnitude with the desire.* When the desire is in excess, the market value of the land will expand and the desire contract, until they meet at a point midway between the natural market value of land and the natural magnitude of the desire; and *vice versa.* The natural market value of land may be considered equal to the value of the productive capital required to cultivate and otherwise concur with it in the processes of production.

We find, then, that the desire of happiness governs the demand for land, as it does the demand for every product of value: that productive capital and land are equally necessary as auxiliary agents, in procuring the ultimate objects of desire—neither one being useful in the absence of the other—and hence, that the magnitude or intensity of the demand for each must be equal: that self-interest governs the supply of all classes of value, save land, the supply of which is fixed by the unalterable fiat of nature: that, as regards productive capital, these causes produce such an equation of supply and demand that its average market value is coincident with its true value; while as regards land—which has no true value (its legal value being the result of individual ownership and the social guaranty), nor capacity of en-

largement or diminution—self-interest so governs the expansions and contractions of its market value as to keep the volume thereof coincident with the desire for it, and hence, equal to the true value of productive capital, because the two desires are equal.

We have thus verified the position which observation and experience gave us warrant for assuming. We have proved, it is hoped, by legitimate inferences from well established premises, that the observed uniformity of equality between the market value of land and that of productive capital, is, really, one of the natural laws of trade; and that it results from the laws of human nature and the social plan of wealth. But since a new and important truth cannot be too clearly explained nor too strongly impressed on the mind, I will try to present it by another method, and in company with kindred truths equally important.

It is known that capital and land are very unequally distributed amongst mankind. The same remark will apply to skill, and, in some degree, to labor. But by means of commerce and credit, these prime agents of production are so evenly distributed that every individual who is possessed of industry, and willing to expend it productively, is provided with equivalent portions of capital and land to concur with it. In other words, productive capital and land, whatever may be the number of their proprietors, are each divided into as many sections as there are industrial machines to concur with them. In this division of the productive forces into concurrent groups, the distribution of productive capital must be at all times complete; since, whenever any surplus remains, the proprietors thereof press it into employment by offering it for sale at reduced prices, or the loan of it for a diminished consider-

ation, either of which so condenses the market value of all similar machinery, that room is thereby given for the admission of the surplus; and thus the whole of productive capital (whether the aggregate be great or small as compared with the other prime agents) is absorbed in constituting concurrent groups. With land the case is sometimes different. When population is sparce and capital correspondingly meagre, it is impossible to employ, productively, the whole quantity of land; nor can that, like capital and population, be diminished by removal or the consumptions of time. In such cases, each industrial agent is provided with an equivalent portion of the existing capital, and with as much land as the two can productively employ. Whatever portion of the land is absorbed in this way, stands as the equivalent of capital; the surplus meanwhile remaining unemployed, and therefore unproductive, unless the augmentation of its market value, caused by the increase of population and capital, be improperly regarded as the fruits of its own service. But when population and capital are sufficiently abundant to concur productively with the whole quantity of land, then land, like capital, labor and skill, is all absorbed in constituting concurrent groups;—then, every owner of land, and every owner of productive capital, place their respective portions of these prime agents in the hands of such proprietors of industry as will pay the highest consideration for their use, retaining sufficient merely to concur with their own industry, provided they wish to exert it productively. Thus the entire quantity of skill, of labor, of capital, and of land, respectively, are divided off into as many concurrent groups as there are of individuals alike able and willing to exert their industry productively,—each group consisting of equivalent portions of

the four productive forces. Whenever a surplus of either remains unemployed, the proprietors thereof press it into service by lowering the consideration demanded for its use; this lessens the market value of all similar service, which at first produces a disturbance in the distribution of the groups,—a crowding in of the idle and a pushing out of the employed,—but after a few jostlings and oscillations of value the equilibrium is restored,—the only ultimate consequence being, that each group has a somewhat larger quantity of the redundant force than it had before the surplus was pressed in. This, however, may be more properly called the *penultimate* consequence; for we shall find, as we progress, that the relative preponderancy of any one of the productive forces gives instant action to causes which tend to restore the equilibrium, by lessening that and enlarging the others.

Each separate concurrent group here spoken of, is not, indeed, made up of true equivalents of the respective forces,—the value and the net revenue of a given force being in some instances greater, and in others less than those of one or more of the others concurring with it; but if taken in the aggregate, they are absolute equivalents. Why is this? If the principle prevails in the aggregate, why not in detail? In answer, I remark in the first place, that the portions of capital and land concurring in each separate group are usually absolute equivalents, or very nearly so, because the market value of land is merely the reflection or counterpart of the value of the capital that is either actually concurring with it or standing ready to do so. When, in any case, the portion of capital is greater than the market value of the concurring land, it is because the reflection of the former extends to adjoining land, and there causes

the market value of land to exceed that of the concurring capital; whence it may be inferred, that in a collection of neighboring groups, the value as well as the net revenue of capital and land, respectively, must be true equivalents.—As regards skill and labor, the principle is different. We frequently witness, especially in the manufacturing art, where mills and expensive machinery are employed, production going on extensively with but little aid from industry. Take, for example, a steam cotton mill. The modification of the materials which pass through it annually, enhances their value, say, $50,000; while the wages paid for labor and for the superintending skill do not exceed $10,000. Here the portions of capital and land concurring are much greater than those of labor and skill; and the net revenue accruing to their proprietors is also much greater. But this very preponderancy of machinery, or capital, begets the necessity of a corresponding excess of labor and skill in other processes—namely, in the repair of the mill and machinery, and in the construction of new ones to take their place when worn out,—for the fact is obvious, that industry preponderates in these processes. Indeed, observation fully warrants the assertion, that industry preponderates in nearly every group employed in the fabrication of productive capital. Take for illustrations, the wood-chopper, with no other capital than his axe, the mason with his hammer and trowel, the carpenter, wheel-wright and machinist with their few and simple tools of trifling cost. And if we look at the means employed in the construction of expensive ornaments, and other articles of luxury, the demand for which is engendered by the profits of capital, we find their value to consist almost exclusively of the services of labor and skill. I have seen a music-box, no larger than an ordi-

nary watch, so skilfully and laboriously wrought that it required $500 to remunerate the fabricant, the material of which did not cost twenty dollars, and even that was chiefly produced by industrial service.

We find, then, that an excess of capital in one group of the productive forces, begets the necessity of a corresponding excess of labor and skill in one or more other groups; and hence, when considered in the aggregate and regarded as units, the three must be absolute equivalents.

The reader will have noticed that I have uniformly spoken of industry as consisting of two distinct elements, and as constituting two distinct agents of production—namely, skill and labor. Before proceeding farther, it well be well to state the grounds of this distinction, especially as all other inquirers have regarded industry as a single force in the production of value. Nature has, indeed, united skill and labor in the same being, and so blended them that it is impossible to determine, in any case, the precise amount of service contributed by each. Yet we all know them to be distinct attributes; we know that the one emanates from the mind, the other from the body: the productive service of the one is mental or nervous, that of the other corporeal or muscular.—Place capital and land in the hands of an idiot, and how strong soever his muscular powers, he will be unable to wield them productively, unless his efforts are guided by the skill of another. Place them in the hands of an intellectual giant whose physical powers are paralized, and he will be equally unsuccessful. In the first instance, skill would be absent, in the second, labor; but place capital and land in the hands of one endowed with both elements of industry, and newly created value will result from the union, because the four essen-

tial parents are present to blend their services in a single product.

We are familiar with the fact, that whether industry is the employed, the employer, or the partner in production, its proprietors are rewarded in proportion to their degrees of strength and skill, respectively. When, for example, the muscles are strong and the intellect weak, the proprietor receives but the revenue of labor; when both are strong, he receives the revenue of both.—It is to be observed that mankind differ much more widely in the degrees of skill wherewith they are endowed, than they do in physical powers. Most men are so equally gifted with the latter that the wages paid for labor are usually the same to the weak that they are to the strong. Not so, however, as it relates to skill, for we see the rewards of its service ranging from units to hundreds, and even to thousands. The ordinary day laborer, for example, may be said to receive little if any reward for his modicum of skill. The mechanic receives a reward for the serviee of his skill, equal perhaps to that received for his labor. The artist, the merchant and the professional man, receive still higher rewards for their outlays of skill, reaching in some cases at least a thousand fold that received by the day laborer for the skill portion of his services. So, also, as regards those engaged in the same profession or calling: the higher the degree of skill, the greater the reward. It is no uncommon thing, for instance, to see two merchants commence business under circumstances alike favorable, prosecute it with an equal observance of application and economy, and yet end at the opposite extremes of the ladder of wealth, simply because they differed in degrees of skill. Skill is of two sorts, intellectual and artistic. The first is the gift of nature, the second is acquired by

study or application to a given art; the two constitute the partner of that name in the productive firm. It should be noticed that there is much of intellectual service concurring in the production of wealth, which is common, unappropriated utility, like the natural agents, light, heat, rain, &c. Of this character is scientific knowledge, and useful inventions for which the patents have expired. These are potent auxiliaries in the production of wealth, but their services are free to all who choose to employ them. Artistic and intellectual skill, are however, like strength of muscle, appropriated property; and the proprietors thereof receive for every outlay of them, rewards corresponding with the magnitude of the streams.

Here I might proceed to demonstrate the fact, that skill and labor are equal partners in the great productive firm;—that, in obedience to natural laws, they contribute equal amounts of capital, render like quantities of service, and receive equal shares of the revenue. To do this, it would be only necessary to take for my premises the laws of human nature and the general principles of wealth already noticed, and connecting them with the fact just pointed out, that wealth cannot be produced in the absence of either skill or labor, deduce therefrom the derivative laws which render them equal partners. I might also verify the deduction by the observed fact, that the preponderance (in service and profits,) of skill in one process of production, begets the necessity of a corresponding excess of labor in one or more others, and *vice versa;* as well as by other evidences which observation and experience afford. But since the argument and illustrations would be, in the main, a repetition of those already presented in elucidation of a kindred principle, I will withhold them, and thus spare the reader's patience.

If those presented in relation to land, capital and industry, have produced conviction, it will be readily perceived that they could do no less in this case; if, on the contrary, they have failed in the others, they would be likely to fail in this also. I will only add, that my own convictions of the truth of this position are as clear and positive as they are in reference to any other principle enunciated in this work.

We find then that skill, labor, capital and land, are co-equal partners in the general firm of production—their respective proprietors receiving equal shares of the gross revenue or profits; and since commerce and credit keep their respective *per centages* of profit at a common standard, it follows that the aggregate value of each must be equal. We shall also find in the sequel, that the aggregate of skill, of labor, and of capital, respectively, cost the same to produce; while land, as we have seen, cost nothing. If I have failed, through unskilfulness in the use of language and ignorance of the rules of logic, to unfold the laws by which nature has established this equitable partnership, yet, the fact of its existence I hold to be so obvious and undeniable, that no one of ordinary capacity can fail to perceive it, if he will take the trouble of contemplating the subject for himself.

Assuming these premises to be sound, the inference is unavoidable, that the greater the quantity of either one of the prime agents of production, as compared with the other three, the lower will be the relative profits of its individual proprietors, and *vice versa*. Suppose, for illustration, that 100 represents the mean aggregate productive power of each, and 400 that of the whole; then, if we assume the profits to be five per cent. per annum, 20 represents the gross annual profits of production, and 5 the share of each prime agent. Now

suppose that pestilence or other causes suddenly reduce the quantity of labor and skill to 50 each; capital and land respectively remaining at 100. This would diminish the aggregate productive power by one quarter, or from 400 to 300; and it would lessen the aggregate net revenue in an equal degree, namely, from 20 to 15. The last named quantity being divided, as our premises divide it, into equal shares, would give to each class of the productive forces $3\frac{3}{4}$; consequently, the rate of profits on capital and land (each of which remains at 100) would be $3\frac{3}{4}$ per cent. per annum, while the rate awarded to skill and labor (which are reduced to 50 each,) would be $7\frac{1}{2}$ per cent., or exactly double that of capital and land. In other words, the interest of money and the rent of land, houses, mills, machinery, and of all other kinds of productive capital, would be reduced twenty-five per cent, while the wages of labor and the rewards of skill would be enhanced fifty per cent. Such would be the first consequence of a sudden and violent disturbance of the natural equilibrium of the productive forces, of the character we have supposed. Let us now trace out and group the various causes concerned in the production of this consequence, and see whither they tend ultimately.

The diminution of population, by lessening the number of industrial machines, first throws out of employment a portion of the capital and land; the surpluses of these are next pressed into service by lowering the consideration demanded for their alienation and for their use: this lessens the market value and the profits of capital and land, and enlarges the profits of industry; the diminished market value and profits of capital lessen the demand for and the production of machinery, while the augmented profits of industry, by setting free a larger

number of desires, increase the demand for and the production of value in its consumable forms. All the causes thus set in motion, it will be perceived, tend to produce a diminution of productive capital, and with it, of course, a corresponding contraction of the market value of land. Simultaneously with these, other influences are put in motion which tend to increase the quantity of labor and skill. For example: The diminution of population increases the rewards of industry, and the increased rewards of industry attract population from abroad. Besides, it is well known that extreme wealth and extreme poverty are both unfavourable to the production of population, as well as to the wealth producing capacity of those who occupy these extremes; and since the diminished profits of capital reduce the revenue of the rich, while the increased rewards of industry enhance that of the poor, it is evident that the event supposed would lessen these extremes, and thus tend to increase both the number and the productive capabilities of native population. We find, therefore, that a sudden diminution of population first causes the profits of labor and skill to increase, and those of capital and land to diminish; and that these, combined with other causes simultaneously put in action by the disturbance, cause productive capital and the market value of land to contract in volume, and industry to expand until they meet somewhere between the points from which they respectively set out. But neither will stop there. The impetus with which they started will carry each onward, until they have changed places; then a reaction takes place, afterwards another, and so on, with lessening intensity, until the natural equilibrium is restored. It is thus in relation to every sudden or unnatural diminution of population. And whenever, from any cause,

the increase of population outstrips the growth of productive capital, then the influences of these principles are inverted, and the equilibrium thereby restored.

The same laws prevail in relation to capital also. Suppose, for example, that a large portion of the productive capital of the world should be suddenly destroyed by the elements, or by any other cause. This, by first increasing the profits on what remained, and the demand for and the production of more—while, by lessening the rewards of industry, it retards the production of children for want of means to rear them, and thins the existing population by starvation—would thus give action to the laws which never fail to restore the equilibrium, ultimately. If, on the contrary, a high degree of productive skill, combined with habits of industry and economy, should cause productive capital to augment more rapidly than population, it would tend to lessen the profits, weaken the demand, and diminish the production of capital; while, by increasing the rewards of industry, it would engender an augmented demand for wealth in the forms best calculated to reproduce labor and skill, so that in this instance too, the natural equilibrium would be speedily restored.

In these illustrations, I have regarded the productive forces as units. But it may not be amiss to remark, that the principles are equally applicable to equivalent sections of them, whether large or small. If we confine our survey to a single nation, city, or village, we shall find these laws presiding over the distribution of wealth, and maintaining at a common standard the respective magnitudes of skill, labor, capital, and market value of land. Indeed, uniformity of action may be said to be one of the distinguishing features of the laws of trade. We may go into a workshop, where the

different processes of wealth are carried on, and there find exemplified and enforced the natural laws which govern the production and distribution of wealth throughout the commercial world.

Let us here pause for a moment to note a few facts of practical importance which result as corollaries from the argument just adduced.—If the fundamental laws which govern the distribution of wealth are of the character I have endeavored to unfold, then it is obvious : 1, That, as regards any given nation or community, the influx of foreign population without capital, lessens the relative profits of industry and enlarges those of capital and land—in other words, injures the poor and benefits the rich. 2, That the efflux of population without capital, benefits the remaining poor and injures the rich. 3, That the influx of capital without population, enhances the profits of industry and land, and lessens those of capital. 4, That the acquisition and preservation of capital by individuals, not only enriches themselves but benefits the poor, while the consumption, by its owners, of previously amassed wealth, lessens the revenue of all except those who remain rich,—in other words, that individual economy is a social benefit, and individual extravagance a social injury.—It is scarcely necessary to observe, that these consequences are not permanent. They may continue in some cases for a generation, or even longer, but according to our theory, they must sooner or later give place to those of a contrary kind.

But to return to the subject of profits, and the relative magnitude of the productive forces. We have seen that an excess of population curtails the rewards of industry, and enlarges those of capital ; that an excess of capital produces results the reverse of these ; but that natural law ultimately restores the equation both of

magnitudes and profits. Let us now ascertain the principles connected with the productive agent, Land, in which there is no fluctuation of quantity.

Land, as I have said before, is the gift of nature: it costs nothing to produce, it requires no renewal, it consumes nothing. The last clause of this assertion will be disputed by many, and I am willing to admit that land may be impoverished by careless and unskilful culture, as well as fertilized by manures; but I maintain that, with ordinary care and skill in the cultivator, its native fertility may be kept up without the use of other fertilizers than those afforded in its own refuse products. This is all the assertion means; and its truth is in some measure confirmed by the fact that city lots consume nothing, although they concur in production, and in their market value fully reflect the true value of the capital placed upon them.

Land, in any given locality, is invariable in quantity. Its market value expands and contracts as the other three productive forces augment and diminish, but its productive powers remain stationary. Therefore, where population is sparce, each concurrent group of the productive forces embraces more of the productive power of land, than where population is dense. The greater the native fertility of land, and the larger the quantity each individual may have of it to concur with his industry and capital, the larger will be the production of value, and hence, the higher the rate of profits, because there is not a corresponding increase of cost—or rather, the cost element of value remains stationary while its gross quantity is enlarged. The market value of land being, in all cases, exactly equal to that of the productive capital placed upon it, it follows that where population and capital are relatively scarce, its price

must be proportionately low; and the lower the price of land the higher the rate of profits inuring to its proprietors, as well as to the propertiors of the concurring skill, labor, and capital, for they all share alike.

These considerations warrant the conclusion, that the market value of land and the profits of production move inversely—when the one ascends the other descends; that productive capital and population augment and diminish in unison; that the market value of land at all times exactly equals the value of the productive capital placed upon it; and hence, that its market value will be highest, and the profits of production lowest, where population is most dense, and *vice versa*. This principle is of universal prevalence as regards different countries or political communities, but it is not applicable, of course, as between city and country. In these cases, the capital and industry in each, is employed in distinct departments of production, the commercial and the agricultural; and it is well known that the latter requires, in the production of a given quantity of value, the concurrence of more land than the former.

The principle thus deduced is completely verified by every man's experience and observation. Illustrations present themselves on every side, but I will content myself by merely referring to one of a most convincing character.—In the valley of the Mississippi, where the market value of unimproved lands of great natural fertility, is but $\$1,\frac{25}{100}$ per acre, the interest of money, and the profits of capital generally, range from ten to twelve per cent. per annum; in the agricultural districts of New York, where the market value of unimproved lands, or of cultivated lands aside from the ameliorations, is, on an average, about $30 per acre, the profits

on production, as indicated by the interest of money, range from five to seven per cent.; and in the densely peopled sections of Europe, where the market value of agricultural land, aside from its improvements, will average more than $100 per acre, the annual profits on production, as shown by the same indicator, range from two to four per cent. In the first named locality, population is sparce, in the second it is medium, in the third it is dense, which not only accounts for the disparity of profits but confirms the soundness of our theory. The half fed populace of over-peopled Europe, without any knowledge of the natural laws which preside over the profits of production, have perceived the statistical facts just named, and true to the promptings of self-interest, we find them, with their faces turned hitherward, leaving their homes as rapidly as they can find ships to carry them; and after landing on our shores, wending their way to the cheap and fertile lands of the west.—The attraction of cheap and fertile land, everywhere, is constantly drawing to it an increase of industry and capital, and but for the strong ties which bind man to the place and country of his nativity, together with the diversity of language, government and climate, it would equalize industry, capital and land throughout the world. Even in the face of these hindrances, the tendency towards that ultimate result is very rapid, and sooner or later it will be accomplished.

Let us see how far we have progressed. It has been shown that the oscillations of profits preserve the equation of skill, labor, capital, and the market value of land—chaining each to a common standard of magnitude: that the oscillations of profits also tend to condense the market value of land when it is inflated, and to expand it when compressed, so as to produce not only an ultimate uni-

formity everywhere, but also, a correspondence between the market value and the productive capacity of land. It now remains to show the ultimate law of profits—that law to which all the others are subordinate, and which keeps the profits of production, with slight oscillations, gravitating about the point of five per cent. per annum. But since it will be necessary, in the exposition of this law, to adopt as premises some of the principles which preside over the consumption of wealth, it is deemed best to pass those in review first.

SECTION III.

Of Consumption.

Having, in the two preceding sections, endeavored to point out the general principles that govern the production and distribution of wealth, it now remains to unfold those which control its destiny. After having investigated this section of the laws of trade, we shall be prepared to contemplate them as a whole, and to determine whether the separate parts of our theory in reference to them, harmonize. I have no misgivings on this point; but on the contrary, am satisfied, that when we come to contemplate the subject from that point of view, we shall be able to see the truthfulness of the theory with far more clearness than we have yet seen it; for besides the imperfect manner in which the subject is treated in these sections, the different parts of the laws of trade are so woven together by reciprocal influences, that it is impossible to obtain a clear knowledge of either section, until we have considered them, first by themselves, and afterwards together as parts of a mutually dependent system.

As relates to the section of these laws that we are now to consider, it will be remembered that my thesis is:

1, That the portion of value constituting the cost of production returns to the sources whence it emanates, and is there consumed in the preservation and reproduction of skill, labor, capital, government and money; that the portion constituting the profits is applied in part to the augmentation of skill, labor and capital, and the balance to the gratification of the non-essential desires of its owners,—the productive forces now existing being the accumulated profits of the present and all preceding generations.

2, That the profits of production in the aggregate, vibrate within limits bounded by $2\frac{1}{2}$ per cent. per annum and $7\frac{1}{2}$ per cent. per annum, being not only restrained from transcending these limits by starvation on the one side and by a dense crowd of liberated desires on the other, but also, driven back towards the centre by the undue consumption of capital at the one extreme and of population at the other.

We will now proceed to consider the phenomena presented in the consumption of wealth, in doing which, it will be my aim, among other things, to demonstrate the truth of the foregoing propositions.—It is familiar knowledge that human offspring must be fed, clothed, housed, lodged, and nursed in infancy and in sickness, for a series of years, before their muscular powers are sufficiently developed to yield the productive service, labor; that a still longer term of years is necessary to educate them in the arts of production so as to yield the service called skill; and that the laws of society, as well as parental affection, enjoin these duties upon their parents. The value thus consumed must be regarded as the cost of producing Skill and Labor, When the

bodily and mental powers of children have been thus matured at the expense of their parents, they take their places in the laboratory of production as independent proprietors of industry. Thenceforward they must be fed, clothed, housed, lodged, and nursed in sickness as before. These are the consumptions incident to the repair and preservation of industrial agents. But notwithstanding the outlay, they are preserved for a limited period only: disease, accident and exhaustion, sooner or later destroy their productive powers. Meanwhile, however, fresh agents are produced to occupy their place,—the renewal being effected in the manner just pointed out.

In the production, preservation and renewal of capital, a similar consumption of value takes place—not indeed of value in the form of food, clothing, and the like, but of the direct service of industry, capital and land. For instance, in the fabrication of the simplest instrument of production, human agency must furnish the skill and labor, capital the tools, and land the raw material together with the use of the ground on which the work is performed. The valuable service thus consumed in the fabrication of productive machines and implements, constitutes the cost of *producing* capital. These machines deteriorate by use and exposure, so that similar service is consumed in their maintainance and repair: this constitutes the cost of *preserving* capital. And finally, the productive power of machines, like that of industrial agents, is ultimately destroyed by casualty or exhaustion, so that capital also requires *renewal*. And it is worthy of notice that the mean duration of productive machines is about the same as that of human life, as appears from the fact that experience has taught underwriters to charge about equal rates of premium for guaranteeing their preservation.

The Government Machine is also a great consumer. It is a powerful auxiliary in the production and preservation of wealth, and its active co-operation is so beneficial that producers can well afford to pay, in the form of taxes, whatever share of the product is requisite to its efficiency; but, unfortunately, its voracious appetite is rarely satisfied with so small a share.

Money costs no inconsiderable amount in its production, but inasmuch as it costs but little for repairs, and seldom needs renewal, its gross consumptions are trifling compared to those of government. Some, no doubt, will question the propriety of excluding money from that class of productive agency, termed capital; but it appears to me there are good reasons for doing so. Money, like government, is a social expedient or general machine, designed to benefit society by giving incidental aid to every producer. It therefore belongs to the class of social auxiliaries, rather than to that of capital.

These are the only kinds of consumption that enter into the cost of production. Taken together, they constitute that class which has been well termed *reproductive consumptions*. Land, the other productive agent, I beg to repeat, costs nothing. It has been furnished gratis, it needs no repair, it is never destroyed, nor is its productive power lessened by use, under a judicious system of cultivation: it consumes no portion of the value that it helps to create. As a *source* of production, its services are gratuitous; as a *legal partner* in the producing firm, its owners are entitled to a share of the revenue. The other prime agents and auxiliaries are, however, as indicated above, great consumers. Their repair, preservation, and renewal, swallow up the major part of their joint progeny. The minor part, which remains, is the net revenue or profits of production.

This is consumed in various ways (according to the taste or caprice of its different owners,) all of which, however, may be conveniently arranged into three classes, and thus designated; 1, in the augmentation of the productive forces; 2, in the gratification of the senses; 3, in the satisfaction of mental desires.

As relates to the class of consumptions first named, it is to be observed that nature has limited them to $3\frac{1}{2}$ per cent per annum, under the most favoring circumstances for an increase of population and capital—in all other cases, still lower. The statistics of population have shown that under the most favorable conditions, as it respects health and all the other requisites of increase, the births do not exceed the deaths, annually, more than $3\frac{1}{2}$ per cent, on the existing amount of population. When we reflect that not more than one eighth of the population are of the proper sex, age and condition for bearing children, and that these cannot produce, on an average, more than one each in two years, which gives 6 per cent. of births; and that the deaths in a climate of ordinary healthfulness average $2\frac{1}{2}$ per cent—we must perceive at once that these limits cannot be transcended, rarely indeed reached. Where the extremes of wealth and poverty abound, or where the climate is unhealthy, or population dense, the net annual increase cannot exceed $1\frac{1}{2}$ per cent.; whence it is clear that the law of increase to which population is subordinate, does not permit the *average* rate to exceed $2\frac{1}{2}$ per cent. per annum. Neither can capital augment more rapidly, since, as already shown, its rate of increase is governed by and is equal to that of population. Therefore, we may safely conclude that $2\frac{1}{2}$ per cent. per annum, or one half the net profits derived from industry and capital, is all the value that can be absorbed by this class of consumers.—

The second and third class—the senses, and the mental desires—each importune the intellect, through the desire of happiness, for all the profits that remain—namely, the entire profits of land, and half those of industry and capital, or five-eighths of the whole. The judgment usually observes, however, a laudable degree of impartiality in making the distribution; for it awards to each class about an equal share of the remaining profits, to which in truth they are both fairly entitled, by having been equally instrumental in their production.

As regards the second class it may be said: The eye is constantly appealing for something new and beautiful to look upon; the ear, for pleasing and harmonious sounds; the sense of smell, for fragrant and pungent odors; the palate, for savory delicacies in food and drink; the sense of feeling, for all kinds of bodily enjoyments or pleasurable sensations, and for the removal of pain. Much of value is consumed in quieting the urgency of these appeals—probably not less than the share of profits indicated above.

The third class is made up of a more numerous host, being no less than the whole family of mental desires and sentiments. Of these it will be sufficient to name a few of the most importunate, and point out the nature of their wants: Veneration demands the trappings of public worship; benevolence, the means of practical munificence; fear, fitting guards for securing personal safety; pride, costly ornaments for ostentatious display; ambition, the means of securing its aims; and so on, until last of all, though not least, the Intellect—the progenitor and governor of this wonderful phenomenon—reserves to itself no inconsiderable share of the net revenue, as a means of aiding its advances on the pathways of truth.

Such are the consumers of wealth. No member of society is free from the importunity of any one of them, for they are all either ingredients of human nature or unavoidable accompaniments of the social condition. They, however, differ in their degrees of strength in different individuals, their relative and absolute strength in each case being governed by the peculiar mental and physical organism that nature and circumstances have awarded to the individual.—After satisfying the imperative wants of life and of capital (including their permitted increase,) and the wants of government and money, the remaining profits must necessarily be consumed unproductively; and it is sufficiently clear that those to whom they belong will distribute their respective shares amongst their non-essential desires, in such manner as the judgment of each shall indicate as the best calculated to promote his own happiness.

We have now reached a favorable position for considering some of the higher laws to which profits are subject. We have seen by what agencies they are produced, how they are distributed, and in what manner consumed; and we have seen that their present average rate in the world-wide field of production, is about five per cent. per annum. It is important that we know by what influences this rate is governed. Is it the offspring of chance, and liable to change with every variation of circumstances in the field of production? Or do the natural laws of trade establish a *standard rate*, from which the profits of production cannot depart without giving action to causes which tend to bring them back? I have advanced the opinion that they do establish such a rate, and will now proceed to demonstrate the correctness of that opinion.

§ In the first place, we will consider the commercial world as a single field of production, and we will assume that the standard rate of profit is 5 p. ct. per annum; that its establishment and maintenance requires the existence of productive capital in the proportion of $500 to an adult citizen or industrial agent—the market value of land being, of course, as much more; and that the mean cost of rearing and educating children, (including the value consumed by those that die before reaching their majority,) is equal to both—namely $1,000 each. Assuming this to be the present and the natural condition of things in the general field of production, let us next suppose the rate of profit to be suddenly lowered by some cause that will permantly diminish the results of productive effort—say by an adverse change in the seasons. What would be the consequences? Before attempting to trace them out, it will be well to estimate the expenses or reproductive consumptions incident to agriculture.

If we were to take 50 acres of land and incorporate with it $1,000 of capital, in the form of improvements and implements of husbandry, and employ two individuals in its cultivation, we would have (according to our hypothesis,) a group of productive agents, equal in value to $4,000; and which would produce $200 of net profits annually. Land of medium fertility will produce about 20 bushels of wheat per acre, so that if the cultivation were confined to that plant, the gross value produced, (estimating wheat at one dollar per bushel,) would be equal to $1,000; which gives $800, or four-fifths of the gross product, as the *cost portion*, or the share required to sustain and preserve the agents employed. This is probably about a fair estimate of the reproductive consumptions incident to agriculture. If so, a slight

withholding of nature's accustomed bounty, would seem to be sufficient to prevent the realization of profits in that department of production; for whenever the yield falls so much as one-fifth below the average, the products are all consumed in the mere maintenance of the agents producing them, leaving nothing for the gratification of non-essential desires, nor for the increase of population and capital. It is to be noticed, however, that the losses consequent on a diminution of products in agriculture, do not fall exclusively on those engaged in that pursuit, but are so distributed as to fall with equal severity on all classes of producers. For instance, the diminished yield enhances the value and price of the products; all men are consumers of agricultural products; therefore, all must share in the loss. But inasmuch as the major part of the productive agency of the world is employed in agriculture, it is evident that a diminution of results in that department, equal to two-fifths of the average yield, would, at first, prevent the realization of profits in all departments; because, in that event, the whole value produced would be re-absorbed by the agents producing it, unless I have over estimated the cost of agricultural products. But whether I have estimated the *cost* element of value, as compared with its *profit* element, too high or too low; and whether it requires a diminution of results, in agricultural service, of more or less than 40 per cent., to suppress the element of profit in all products, are points not very material. It suffices our present purpose to know the law and its tendency in such cases—to know, for instance, that the value of products is made up of cost and profit, and that the profit element may be, for a time, entirely suppressed by adverse causes: which general truths are too manifest to require farther illustration.

Let our supposition then be, that the change in seasons is sufficiently adverse to suppress all profits. What would be the consequences of such an event? Let us trace them out, and ascertain their ultimate tendency.

In the first place, it is obvious that population would go on increasing at the usual rate of $2\frac{1}{2}$ per cent. per annum, until checked by starvation, which last would be an ulterior, not an immediate consequence. The rich, meanwhile, would continue to gratify their non-essential desires; and since, in the aggregate, there are no profits applicable to that or any other purpose, it is evident that a part of the existing capital must be consumed; for it is to be noticed that wealth, in many of its forms, may be either directly consumed or kept at service as a productive agent. Therefore, the first consequences of the event supposed, would be an increase of population and a decrease of capital. These consequences would necessarily cause the rewards of capital to be relatively higher than those of industry, because the supply of the latter would exceed the demand for it, while that of the former would not equal the demand; and since, according to our supposition, there are no absolute profits produced, it follows that capital would continue to realize a slight degree of profit, and industry an equal degree of loss. And inasmuch as industry, when its accustomed profits are withheld, has nothing to lose but itself, it is manifest that less of value must be consumed in its production and maintenance; it must feed on less costly products and clothe in cheaper fabrics—in other words, the standard of the necessaries of life must be lowered. This of itself lessens the cost of the productive agent, Industry, and thereby tends to bring its aggregate value down to that of the diminished capital; but there are also other influences tending to the same end. It is well

known that in all communities, including the most prosperous, there is an unfortunate class who are compelled to choose between starvation and public charity; and that, from this extreme depth of poverty, the pecuniary condition of the different classes ascends by almost imperceptible gradations, up to the highest degree of wealth. The losses on industral service force the next higher classes down to a level with the lowest, whereupon famine and its attendant pestilence quickly thin their crowded ranks; for the records of history compel us to own, that the charities of society (under the restraints imposed by necessity and by choice,) are too cold and sparing to prevent that melancholy result. Simultaneous action is also given to another cause of like tendency, namely: The increased difficulty of providing for offspring deters the more prudent and reflecting of the poor from marriage; which, by restraining procreation, tends to diminish population.

It will be readily perceived that the joint effect of these three causes must be a rapid decrease in the value of industry; for, while famine and restrained procreation diminish its *quantity*, the reduced amount of value consumed by both adults and children, lessens the *cost* of that which remains. We may safely conclude, therefore, that the next important consequence of the event supposed, would be, a decrease in the quantity and cost of industry, equal to the antecedent decrease in the quantity and cost of capital, and in the market value of land. This would restore the equality of rewards, so that neither profits nor losses would accrue to the owners of either class of the productive agents—the share of each class being just sufficient to sustain the agents themselves. Meanwhile, however, the more wealthy would still permit the gratification of their non-essential

desires; and since the consequence last noticed would again deprive them of revenue, it is evident that they would make another inroad on their reserved profits, and thus consume another portion of the productive agent, Capital. This gives renewed action to the causes noticed above, and hence, must inevitably end in another thinning out of population, by destroying the poorest class, and by restraining the procreative propensities of the class next above it. But while in every diminution of capital and population, the market value of land contracts so as to keep on a level with the value of skill, labor and capital respectively, it must not be forgotten that the actual quantity and productive capacity of land remains the same as at first; whence it is manifest that the proportion of land, in every concurrent group of the productive agents, will be relatively larger than it was before the diminution of the other agents took place; and since Land, unlike the other agents, is a producer without being a consumer, it follows that every diminution of capital and population tends to enhance the profits of production. So certain is this law, and so uniform in its operation, that sparce populations may exist with scarcely the semblance of industry and capital; as witness the Aborigines of this continent, and the less civilized division of the human family everywhere. Therefore, the ultimate tendency of the event supposed, is, to diminish population and capital, until the relative preponderancy of land becomes sufficient to restore the original standard of profits; and, in case nature should never return to her accustomed bounty, such would certainly be the ultimate economic consequence. Any other permanent cause of restraint in the production of wealth, or of acceleration in its consumption, would of course produce a similar result. So, on the other hand,

a permanently favorable change in the seasons, or in economic legislation, or in the science and arts of production, would give inverted action to the same class of laws, and therefore, would produce consequences directly opposed to those I have pointed out. For instance, if nature, after having produced the ultimate consequences just noticed, should return to her former standard of bounty, the abundance and cheapness of land, when thus aided by favoring seasons, would enlarge profits; the enlarged profits would cause population and capital to increase, and as the latter increased, the market value of land would increase in an equal degree; until, finally, the plethora of population and capital, and the consequent dearness of land, would again reduce profits to the standard rate. These positions may be verified by referring to the past history, the present condition, and the probable future of our own country; for it is to be remarked that our original condition, in respect of wealth, was analagous to that of a community revisited by fruitful seasons after its ranks had been thinned, and its capital diminished, by adverse ones. Our history shows that the profits of production, (as indicated by the rate of interest,) have been hitherto much higher in this country than their average for all countries; they have averaged here, not less than seven and a half per cent. per annum, while their general average for all countries does not exceed five per ct. I am aware that this difference is usually attributed to the favoring tendencies of our political institutions, and the equally favoring characteristics of our people. I am willing to admit that these causes favor the result, but our superabundance of fertile land is evidently the chief cause of that difference; and not only so, but the chief cause also of the superior vigor, skill and enterprise of our people, as may be readily shown.

Our forefathers were the first occupants (save barbarians, who had never instituted the right of property in land,) of an extensive and fertile domain. They consequently possessed a relatively larger quantity of land or natural utility, than they did of artificial utility, muscles and nerves; therefore, in every concurrent group of their productive agents, the service of nature greatly exceeded that of either of the other three. This necessarily gave them a high rate of profit, because the gross value produced, was large in comparison with the quantity of skill, labor, capital, and market value of land employed. These large profits, being equally divided between the proprietors of industry on one side, and those of capital and land on the other, of course enabled the former to partake more freely than they could otherwise have done, of the comforts of life, and of the advantages of education; and it was thus that the condition of the masses in this country was fixed at an elevated standard, and that our people were endowed with a superior degree of vigor, skill and enterprise.

Let us next glance at the present condition of our country as it respects profits. If we look abroad over the whole republic, we see different rates of profit accruing in different sections and localities, ranging from 6 per cent. per annum, up to 10 or 12 per cent. Why is this? What causes the diversity? Upon a closer examination, we find that the rate varies with the density of population, and the fertility of land. Where population is most dense, as compared with the quantity and fertility of land, profits are lowest; where most sparse, they are highest; and so of the intermediate degrees.

Then, again, if we contemplate the probable future of our country, we find that it is increasing in population as rapidly as the laws of human nature, aided by an

active immigration will permit; that capital keeps pace with population, and that every advancing step they take, lowers the rate of profit by enhancing the price of land; that both are doubling in quantity every twenty-three years, and quadrupling in forty-six years; that they are thus progressing with a steadiness and certainty which nothing short of unnatural causes can check, much less stay, and therefore, must ultimately reach that point of density in which the relative scarcity and dearness of land will reduce profits, not merely to the *standard rate*, *but to their lowest vibrating limits*. When we regard the slowness of their progress, and the immense quantity of our unoccupied land, the period referred to appears remote in the future; but sooner or later it must arrive, and it is in fact much nearer than we are apt to consider. It arrived in China long since, and it would have arrived in Western Europe before now, but for the discovery of America. That important event, while, on the one hand, it provided an outlet for the surplus population of Europe, it gave her, on the other, a new market in which to exchange the fabrications of art for products of the soil: which causes have delayed the time when her industry and capital will so far equal her land as to bring the whole of the latter under cultivation. But in the face of those counteracting causes, that period has approached sufficiently near in Europe, to reduce the rate of profit there to about 3 per cent. per annum; and its fore-cast shadow has already crossed our own borders, as may be seen in the fact, that profits are reduced, in the older and more densely peopled sections of our country, to about half the rate that attends production in the west, where land is still plenty and cheap.

The considerations now advanced, I deem sufficient to

show: That, in the general field of production, profits have a gravitating point, or general standard rate, above and below which they oscillate: that an excess of land, in any given locality or nation, causes them to exceed this rate, an excess of population and capital, to fall short of it; but that either of these conditions gives action to laws which tend to bring them to that standard ultimately: that the limitations to which the increase of population is subject, render these laws so tardy in their enforcement, that it often requires the elapse of centuries to correct a single vibration in the rate of profit, in consequence of which, the actual rate is different in the different nations; in some it coincides with the standard rate, while in others it is either higher or lower; but wherever a difference exists, the actual rate is slowly and surely tending towards the common average.

These, however, are not the only oscillatory movements to which the rate of profit is subject. There are others in which the movements are far more rapid, and the reactions more prompt. Those we have noticed, may be termed the vibrations incident to the different national sections of the general standard of profit—vibrations which move so slowly, that, in any given nation, a single passage from the highest to the lowest limits of profit, usually occupies the whole period of that nation's existence, and, in fact, governs its rise, progress and decay. The oscillations in the rate of profit that we have next to consider, are those to which these different national standards are themselves subject, at every stage of their more tardy vibrations about the general standard; for it is to be observed that the *current rate* of profit, instead of conforming strictly to the temporary standard which the causes just noticed award to a given nation at a given time, merely oscillates about that

standard. In other words, the general standard of profit consists of national sections, all of which vibrate about a common centre of gravity, and each of which (at every point in the primary circuit) performs secondary oscillations about its own centre of gravity. These comparatively frequent and temporary fluctuations in the rate of profit, are well known to occur, but we have yet to ascertain the causes which produce and correct them. To that investigation we will now proceed.

It was maintained by Malthus, in his celebrated Essay on Population, that mankind tended to increase more rapidly than the means of support; in other words, that population is endowed with a greater capacity of increase than capital. There may be special cases in respect of which this proportion is true, but it appears to me clearly untenable as a general proposition. We have seen that if the fecundity of the human race were entirely unrestrained, and the rate of mortality reduced to its lowest known limits, the excess of births over deaths would not even then exceed $3\frac{1}{2}$ per cent. per annum; and we know that the restraints imposed on procreation by the unequal distribution of wealth, and by various other causes and motives, limit the actual excess, in the most prosperous communities, to about 3 per cent. per annum. This fact is clearly proved by our own statistics of population; for it is safe to say that the history of the world does not present another instance in which the assemblage of conditions were equally favorable for the increase of population; and yet our rate of increase, exclusive of immigration, has not exceeded those limits. These facts prove that 3 per cent. per annum, or thereabout, is the utmost capacity of increase inherent in population, however abundant the means of support. As relates to capital's capacity of increase, it may be observed that the present

general standard of profit affords the means of increasing the capital of the world, at the rate of $6\frac{2}{3}$ per cent. per annum, because it may reproductively consume the whole of its own share of profit, together with one third of the share awarded to land. For instance, a profit of 5 per cent. to each of the four prime agents, gives an aggregate profit of 20 per cent., one-third of which might be reproductively consumed in the augmentation of skill, of labor, and of capital, respectively, but for the fact that other causes than deficient means of support, limit the increase of population to 3 per cent. per annum. And there can be no doubt that capital would actually increase at something like that rate, were it not for the inability of labor and skill to keep pace with it; for it must be borne in mind, that the laws of trade will not permit either one of the prime agents to augment more rapidly than its co-laborers in the field of production. These considerations show that, as it respects the entire domain of production, the converse of the Malthusean doctrine is the true one. As before remarked, however, there may be some few instances in which a redundancy of population and limited external commerce, combined with other adverse causes, have reduced the rate of profit below the capacity of increase inherent in mankind—China and Japan are probably cases in point. But while unoccupied land remains in any part of the world, and international commerce continues, we may safely declare the general principle to be, that capital tends to increase more rapidly than population. And it is this very tendency that produces the secondary oscillations in the rate of profit, as I will proceed to show in connexion with the causes by which that tendency is counteracted.

In tracing out the consequences of a disturbance of the equation of skill, labor, capital and land, we dis-

covered that an excess of the latter not only elevated the rate of profit, and tended thereby to increase population and capital, but that it also rendered industry more vigorous and skilful, and machinery more abundant and perfect; whence it might be inferred that, so long as the excess remained, the rate of profit would continue to ascend higher and still higher, without any assignable limits. Such is undoubtedly the tendency, and such would be the fact, were it not for the intervention of other laws beside those hitherto noticed. We shall find however, upon a closer examination, that whenever capital gets a certain degree in advance of population, and the rate of profit an equal degree above the temporary standard which the relative quantity and fertility of land awards, they meet with counteracting tendencies which not only arrest their farther progress, but force them back to their natural positions.

The higher the rate of profit, the larger the portion thereof unproductively consumed, because the rate of increase in population vibrates within narrower limits than does the rate of profit; the former ranges, say from 2 to 3 per cent. per annum, the latter from $2\frac{1}{2}$ to $7\frac{1}{2}$, the mean of each being, respectively, $2\frac{1}{2}$ and 5. When both are at their mean, the share of profit unproductively consumed, is five-eighths of the whole, as I have shown in another place; when both are at their highest limits, that share is more than two-thirds of the larger aggregate; and when both are at their lowest limits, it is but two-fifths of the smaller aggregate. It is to be noticed also, that the cost or value of the productive agents themselves, is greater when the rate of profit is high, than when it is low, because the agents of industry are better provided for; they consume more of value in their production, preservation and repair; and the cost of capital

and market value of land, as already shown, are governed by and conform to the aggregate cost or value of industry. In view of these facts, we may readily perceive that, as the rate of profit ascends, the amount of unproductive consumptions increase in a still greater ratio.

To illustrate this point more clearly, let us revert for a moment to our former hypothesis, namely: that, in order to produce 5 per cent. per annum of profits, it is requisite the average value of a concurrent group of the productive forces should be equal to $2,000. This gives an aggregate profit to each group of $100, five-eighths, or $62\frac{5}{100}$ of which, must be unproductively consumed in ministering to non-essential desires. Now, it is fair to presume, that where the rate of profit is raised to $7\frac{1}{2}$ per cent., the cost of producing industry will be enhanced in an equal degree, because the higher the rewards of industry the more elevated the standard of what are regarded as the necessaries of life, as may be seen by reference to any two countries in which the existing rates of profit differ. According to this estimate, with the rate of profit at $7\frac{1}{2}$ per cent., and the rate of increase of population and capital at 3 per cent.—as, for instance, in the United States at the present time—the average value of a concurrent group is equal to $3,000, the gross profit $225, and the proportion thereof unproductively consumed, more than $150. A similar estimate for the lowest rate of profit would give, as the value of the group, $1,000, the gross profit, $25, and the share unproductively consumed, $14. And a similar estimate for a rate of profit at 10 per cent., would give more than $300 as the average amount of unproductive consumptions awarded to an adult citizen.

These approximate estimates are presented for the purpose of showing the rapidly accelerated force with which non-essential desires are liberated as the rate of profit ascends. It must be admitted that many of these desires may be temperately indulged without impairing the efficiency of industry; but it is well known that their too free indulgence enervates both body and mind. This is true of the least hurtful kind of excesses, while there are others, such as intemperance in drink, so pernicious, that they completely paralize, and sometimes destroy the industrial powers. It is therefore evident, that very high profits tend to diminish the productiveness of industry. Nor is this their only self-destroying tendency. By liberating desires that are chained under a lower rate of profit, they establish luxurious habits, which not unfrequently become the masters of those imbibing them. The desires are first set free with the view of consuming the surplus profits—for it must be remembered that they cannot be reproductively consumed; they are next invited to the fruition of their objects; they accept the invitation with the avidity of long restrained appetite; the surplus profits speedily disappear, and, during the process, the habit of gratifying the desires obtains such a mastery over the man, that whatever amount of capital he happens to possess, usually disappears through the same channel. Thus, undue profits lead not only to the consumption of surplus products, but to the consumption of one of the agencies by which they are produced. There is yet another element of self-destruction inherent in exorbitant profits. They increase the rewards of industry, and thereby remove the poorer classes farther from the borders of starvation. This, by quieting the fear of want, permits idleness and luxury, those great antago-

nists of wealth, to usurp the place of diligence and frugality; by which means, production is paralized, and profits suppressed.

Such are the influences by which excessive profits and redundant capital are made to sow the seeds of their own destruction. But if additional evidence of this fact be required, it may be found in the conduct of individuals. An individual reared in penury and in the fear of want, usually concentrates his whole energies of body and mind on the acquisition of wealth; he neither stops to enjoy his acquisitions, nor turns aside to aid in the advancement of others, but pushes on through life under the guidance of that paramount desire; and, if he happens to be gifted with superior skill, he finishes his course at the opposite extreme, the pinnacle of wealth. One that springs from the middle ranks of wealth, being equally removed from the fear of want and from luxury, is apt to remain there, unless driven to one or other extreme by accident or peculiar endowments; while on the other hand, one that is reared in the lap of luxury, or in the expectancy of a large inheritance, generally proves to be such an idler and spendthrift, that he ends his life in poverty. It is therefore evident, that extreme individual poverty tends to engender habits of diligence and frugality, which ultimately lead to wealth, and that extreme individual affluence sows the seeds of its own destruction; and what is true of individuals as a general rule, must be universally true in respect of masses or communities, or of society at large.

After this full presentation of facts bearing on the point, the true theory of secondary oscillations in the rate of profit and in the degree of wealth, may be thus briefly stated:

Capital has greater capacity of increase than population—the larger the relative quantity of land, as compared with the other prime agents, the wider the difference. When the prime agents equal each other in quantity, the rate is about 5 per cent. per annum, the increase of population about $2\frac{1}{2}$ per cent.; when land is in excess, the rate of the one is about $7\frac{1}{2}$ per cent., the increase of the other about 3 per cent.; when industry is in excess, the rate of profit is reduced to about $2\frac{1}{2}$ per cent., and the increase of population to 2 per cent.; and, in each case, the capacity of increase inherent in capital is equal to the rate of profit *plus* one third of that rate. Therefore, the economic progress of a community, in which the density of population, and all the other more permanent conditions that effect the profits of production, are of the medium degree, must be marked by variations something like these: At first, capital increases at the rate of $6\frac{2}{3}$ per cent. per annum, population at the rate of $2\frac{1}{2}$ per cent. This excess of capital augments the rewards of industry, and thereby adds to its efficiency; the increased efficiency of industry, and the augmentation of capital, enhance the rate of profit, say to $7\frac{1}{2}$ per cent., which, in its turn, enables capital to increase at the rate of 10 per cent. per annum, and population at the rate of 3 per cent., which is the highest capacity of the latter; then the enlarged capital again enhances the rate of profit, the enhanced rate of profit again accelerates the increase of capital, and so on. But, while capital and profit thus mutually contribute to each other's enlargement, it must be remembered that every step they take in advance of population, weakens the sources of production and increases the consumption of wealth, by relaxing habits of diligence and frugality, and by strengthening those of idleness and luxury. As soon as

the last named habits obtain the supremacy, capital begins to diminish, and the rate of profit to descend, and neither will stop until capital is thrown as far in arrear of population, and the rate of profit as far below the standard, as were their prior advances beyond them. Then principles of an opposite tendency are brought to bear, and a reaction takes place, then another, and so on continuously. Similar variations occur where land is in excess and the temporary standard of profit at its highest limits; the only difference in the two cases being a difference in time. Capital gets in advance of population most readily and promptly when profits are large; in other words, the higher the rate of profit, the shorter the period required for capital to reach that degree of excess which produces a reaction; and since the rate of profit is highest where land is most abundant and cheap, it is evident that an excess of land tends to increase the frequency of the oscillations referred to. An excess of population, of course, produces effects the contrary of these: it renders the movement more tardy, and the reactions less frequent.

Such I conceive to be the correct interpretation of this section of nature's code—such the principles which limit the degree of wealth, and which cause both that and the current rate of profit to perform what I have termed secondary oscillations about the temporary standards which the relative quantity of land happens to establish for each at a given time and place. But do these variations actually take place? It occurs to me that there may be those who doubt the existence of the phenomena which I have taken so much pains to explain. If so, I would refer them to their own experience, and to the experience of all others, as evidenced in the universal phrases, "the times are good," "the times are

bad;" and especially to the fluctuations that take place in the rate of interest. If these evidences should not suffice to remove their doubts, they may find a still more convincing proof of the fact asserted, in the periodical occurrence of commercial revulsions. This phenomenon, while it cannot be satisfactorily accounted for in any other way, is an obvious and unavoidable consequence of reactions in the degree of wealth and profit,—that is to say, the collapse of commerce and credit is a necessary sequence of a diminution in the general wealth and prosperity. I am aware that the general belief is, that the collapse is the *cause*, not the *consequence* of the diminution; but I am entirely satisfied that an attentive observation of the facts would prove that the latter invariably takes precedence in the order of time. These oscillations in wealth and profits are in a measure hid from our view, by constant fluctuations in the value of money and in the degree of credit, and their regularity is broken by many accidental circumstances; hence we cannot ascertain their periods with precision. But from the indications afforded by commercial revulsions, we are authorized to conclude that, in this country, where the rate of profit is high, they touch their highest limits as often as once in ten or twelve years. Where the national standard of profit is lower, the intervals are proportionally longer.

Having pointed out the different kinds of fluctuations which occur in the rate of profit, and in the degree of wealth, and having ascertained the laws to which those fluctuations are subordinate, it now remains to inquire: What are the great overruling principles which so govern the production, distribution and consumption of wealth, as to establish, for the world at large, a natural standard of profit and a natural degree of wealth? In

other and more familiar language, why are not the average profits of production, either higher or lower than they are, and why is not the wealth of the civilized world either greater or less than it is? Why is the mean rate of profit about 5 per cent. per annum, instead of one per cent., or ten per cent.? And why is the wealth of the civilized world, when expressed in dollars, equal to about one thousand times the number of its adult inhabitants, instead of one tenth or ten times that amount? To these queries, we may return the general answer, that the existing degrees of wealth and prosperity necessarily result from the joint action of the laws of human nature, the plan of social wealth, and the natural laws of trade hitherto unfolded: they are the ultimate economic effects of that assemblage of causes.

Profit is closely related to natural wealth. In fact, it may be said to originate thence, since, as already shown, the productive service of land, and other contributions of nature, are the principal elements in its composition. Where these free contributions are relatively greatest,—where the quantity and fertility of land, and the natural facilities of intercourse and transport, preponderate most over population and capital, the rate of profit is highest; and where these conditions are least favorable, the rate is lowest. From these premises, considered in connection with the fact, that the earth is not yet fully peopled, it may be inferred that the existing general standard of profit (5 per cent.) results from a sufficiency of land, of medium fertility, to give full and unrestrained employment to the industry and capital placed upon it. These we may regard as the average conditions of production—the mean, in point of favorableness, of the general field. To that mean, the laws of trade are

slowly but surely bringing the conditions everywhere, by transferring surplus population to surplus lands, as well as by various other means of relief where the conditions are adverse, and of depression where they are unusually favorable. Consequently, 5 per cent. per annum is the central point or natural standard towards which the different temporary standards of profit are tending. Other considerations, already adduced, point to the same conclusion. We have seen, for instance, that the rate of profit cannot be permanently lower than $2\frac{1}{2}$ per cent. per annum, where the conditions are most adverse, nor higher than $7\frac{1}{2}$ per cent. where they are most favorable; for the reason that a greater depression superinduces famine and frugality, or a larger consumption of industry than of capital, and a greater elevation, idleness and luxury, or a disproportionate consumption of capital; either of which consequences produces a reaction in the rate of profit. Therefore, $2\frac{1}{2}$ per cent., and $7\frac{1}{2}$ per cent., indicate the boundaries beyond which the more permanent rates of profit cannot pass—within these limits, the primary vibrations of profit are necessarily confined; and if these are the vibrating limits, it is evident that 5 per cent. must be the gravitating centre, since it is the mean of the two extremes. This general standard cannot be sensibly elevated while human nature remains what it is, nor permanently depressed so long as unoccupied lands remain in any part of the world. As respects the first named condition, we have no reason for anticipating a change; but it is probable that the period will arrive, sooner or later, in which the industry and capital of the world will more than suffice to cultivate its entire surface; and if so, it is manifest that the present standard of profit must then be lowered.

But what are the principles which have established and now maintain the average degree of wealth at about $1,000 per adult inhabitant. Evidently they are similar in kind to those which preside over the general standard of profit, since, as already shown, the degree of wealth and rate of profit always vibrate in unison. This fact proves that the former, like the latter, has a gravitating centre or natural standard, about which the *current degree* oscillates; and the statistics of wealth, although too meagre and faulty to admit of any thing like an accurate estimate, nevertheless prove, that something like the degree of wealth just named constitutes that standard. These, however, are merely the preliminary points: they authorize the main question, but do not answer it. That question is, why have the laws of trade established the general standard of wealth at the degree named, rather than at any other degree? It will perhaps be a sufficient answer to say, that some specific degree of wealth is requisite to the equal development of those two antagonist forces, production and consumption; and that the existing amount of wealth coincides with that degree; which positions are proved by the facts already noticed, that a larger degree tends to its own diminution by superinducing idleness and luxury, and a smaller degree to its own enlargement, by necessitating diligence and frugality. It is to be noticed, however, that the degree of wealth requisite to the equalization of production and consumption, varies with the conditions under which it is produced, distributed and consumed; being greatest where land is most abundant and fertile and wealth most equally distributed, and least where the conditions are the opposite of these; from which it is evident that the standard degree of wealth, like the standard rate of profit, is primarily dependent on the degree of nature's

bounty. We have seen that an average degree of natural wealth awards to production a profit of 5 per cent. per annum. This rate of profit, while it requires, as one of the conditions of its production, the concurrence of capital in the ratio of $500 to one industrial agent, at the same time, awards to industry the proper degree of revenue for securing that ratio; because it enables the industrial classes to place the standard of the necessaries of life at that degree of elevation which renders the mean cost of producing industrial agents equal to $,1000 each; and we have seen that the cost of producing industry governs the amount of capital, and that it awards to the latter an aggregate value equal to half that of its own, or, if we include the market value of land, exactly equal to its own value.—From these and other considerations heretofore advanced, I derive the following general conclusions:

The relative quantity of natural wealth, as compared with population and artificial wealth, governs the standard rate of profit; this standard governs the cost of producing and maintaining industry; the cost of producing industry, governs the quantity of capital—establishing its aggregate cost or value at a point equal to one half of that of the existing industry; the quantity of capital governs the market value of land, keeping the magnitude thereof on an exact level with its own. These principles, operating in conjunction with the laws of human nature, and in conformity to the plan of social wealth, have established as general standards, 5 per cent. per annum, as the mean rate of profit on production, and about $500 per adult head, as the mean quantity of productive capital, and, including the market value of land, a mean of $1,000 per adult head, as the natural degree of wealth. Where land is either scarce

or possessed of a low degree of fertility, or government interposes unnecessary hindrances, both these standards are lower than the degrees named; where land is abundant and fertile, and the economic polity enlightened, both are higher; but since the desire of gain is constantly drawing population from localities and countries where profits are lowest and wealth least, to those where both are greatest, (the more rapid increase of native population, in the latter, also tending to the same result,) the general equation will be sooner or later brought about. Since, moreover, there now is, and must be for centuries to come, a surplusage of land, beyond the requirements of industry and capital, we may regard the rate of profit and the degree of wealth just named, as the permanent general standards about which each must continue to vibrate.

These are conclusions in which there are probably very few prepared to concur, similar views not having been heretofore advanced, so far as I know, in any quarter. My own views were somewhat different, it must be confessed, when I commenced the investigation of this subject; but a faithful adherence to the principles evolved, and a firm determination to follow them out to their legitimate results, having brought me to these conclusions, and impressed on my mind a conviction of their truth, I unhesitatingly adopt them; for I have no desire to shun the presence of truth, however unexpected or unwelcome may be the aspect in which it presents itself. I had hoped that a thorough knowledge of the origin, nature and attributes of wealth, and of the principles which control its production, distribution and consumption, would enable us to devise a plan by which poverty and its attendant miseries might be either wholly banished from the world, or at the least, greatly lessened.

The conclusions at which I have arrived would seem, at the first blush, to destroy that hope, seeing that the natural laws of trade, and especially the laws of human nature, stand as immovable obstacles to its accomplishment. I trust, however, that we shall find, when we come to consider the economic polity of government, that much may be done by proper legislation in mitigation of these evils. It is much to know the true character of the difficulties with which we have to contend; without this knowledge, success can result from our best efforts only by accident. But when we know the causes or principles concerned in the production of phenomena, we can, as an eminent philosopher has suggested, go to work understandingly with the view of mitigating that which is evil in their tendencies, and of promoting that which is good,—refraining altogether where science tells us that our best efforts would be either futile or injurious.

I have now completed the imperfect survey which I proposed to take of the scientific aspect of Political Economy. I have traced out the origin, nature and attributes of wealth, and have endeavored, though I fear unsuccessful, to unfold the exceedingly intricate code of natural laws involved in its production, distribution and consumption. If the principles deduced shall be found worthy the name of scientific truths, they will establish a fact which very few are prepared to admit at present; namely, that all the phenomena connected with wealth, are produced by, and subject to, uniform natural laws—laws which are links or sections of that vast and intricate labyrinth known as the Law of Causation. The practical considerations suggested, by contemplating the subject in this somewhat novel aspect, will occupy our attention in the ensuing chapters.

PART 2.

Of the Economic Functions of Government.

Chapter I.

Preliminary remarks.—The general purposes of government considered.

Assuming the principles evolved in the preceding chapters to be the essential truths of the science of wealth, I will now proceed to bring in review the economic sections of the framework and legislation of governments—especially those of our own—and, by comparing them with these principles, test their fitness or adaptation to the ends designed—pointing out as I go along such defects, and suggesting such amendments, as seem to be required in order to make these features of the government machine conform to the purpose of their invention and adoption. In other words, I shall attempt first, to present a plan of social wealth more perfect than any now in use, and afterwards, to indicate the rules or maxims by which economic legislation should be guided. But in this, as in the first division of the work, I shall aim at nothing more than the presentation of general outlines, or roughly drafted models,—refraining, as before remarked, from any attempt to elaborate them

into finished disquisitions, under the conviction that I have neither the capacity nor leisure requisite to success.

It has been already noticed that the means by which government may best protect the life, liberty and personal faculties of the citizen, are not proper subjects of consideration in a work on this science. These lie within the province of Politics;—they are principles which the votaries of that science should explain, and which statesmen should so apply in practice as to promote the best interests of society. But, although these features of government were not devised and adopted with the view of influencing the production, distribution, or consumption of wealth, yet their incidental aid in the development and preservation of that phenomenon, has proved to be so potent that a treatise on political economy would be manifestly incomplete without some notice of them; and especially, of their points of contact with this department of political science. For these reasons, it is deemed necessary to preface this division of our inquiry with a brief explanation of the origin, nature and general purposes of government.

It is generally, if not universally held, that the Author of life has endowed the human mind with an innate or intuitive knowledge of right and wrong, and with a sentiment of justice which never fails to condemn the wrong and approve the right; but that there are other sentiments or endowments of the mind running counter to these, and which, if not restrained by external means, rarely fail to obtain the supremacy. Withholding, for the present, our assent to the assertion contain in the first clause of this proposition, it is believed there can be no doubts regarding the soundness of the other. Mankind are ever prone to trespass on the rights

of one another; and so strong is this propensity, that we find, where each individual is left to the guidance of his own nature, that the rule of right is entirely disregarded, the law of might usurping its place, even to the first and highest natural right of all mankind, the right of existence. We see this unpleasant truth exemplified, not only in the past history of the race, but in some of the existing practices of all nations, including the most civilized. We see, for example, savage tribes striving, and sometimes successfully, to exterminate each other; and still worse, we see communities the most civilized, in defiance of the restraints imposed by the law of nations, constantly referring international differences to the arbitrament of the sword, or the law of strength; and we should see individuals invariably obeying the same law, but for the hindrances interposed by society.

To this principle of human nature may be safely assigned the origin of government. Mankind doubtless perceived, not only its existence, but the fatal consequences resulting from it, and thereupon devised and adopted the Social Contract as the appropriate remedy. By means of this device, they aimed, so far as social relations are concerned, to shift the supremacy from the natural law of strength to the artificial rule of right. This rule is by no means uniform; indeed, so diverse is it, that we find each political community or nation observing a standard peculiar to itself. Amongst savages, the contract referred to is extremely imperfect, consisting of a simple league in which it is understood, that the strongest shall be the chief to whom all others of the tribe must yield obedience; that the individual members shall respect the imperfectly understood rights of each other, and protect them from foreign aggression; and that the law of strength, in its most unmitigated form, shall rule their

intercourse with other tribes. Civilized communities, and especially those of them that are also christianized, have advanced much farther. Guided by that perfect rule of social conduct, conveyed in the christian precept, "do unto others as ye would that others should do unto you," and following the promptings of a more enlightened public judgment, they have devised, adopted and enforced social contracts and codes of laws, in which they have aimed to embody justice, so far at least as that principle is involved in social relations and duties as between members of the same political community. And, by means of the international code, they have aimed, though not with equal success, to extend the principle to external relations and duties. Some nations have gone even farther, and established laws for the government of man as relates to his duties to his Maker and to himself. Generally, however, laws of that character are regarded as uncalled for and unjust, because they unnecessarily abridge the freedom of the citizen, and rarely prove beneficial to the individual or the community.

In contemplating this subject with the view of finding out what that is which mankind regard as justice, in the abstract, our attention is arrested at the threshold by the remarkable diversity of opinions. No two governments, nor even any two individuals of the same government, agree, in all respects, as to what should constitute the rule of right in social intercourse. All agree that the rule should be in strict accordance with justice, but, unfortunately, this fundamental principle of government, if it exists at all, is so imperfectly understood that it is itself without a generally received definition;—in other words, it conforms to no established standard. For example, some of the

ruder tribes consider it right not only to take the lives of those who bear to them the relation of foreigners, whenever they have the power to do so, but to eat them afterwards. Others, one step higher, approve of the killing, but not of the eating. Others again, neither kill nor eat, but subject to slavery, foreigners and their progeny, whenever the latter fall into their power. The history of our own nation affords a notable illustration of this class. *We* practised upon that principle until it was believed the stock and its natural increase rendered the supply sufficient,—the only qualification in our case being, that, by reason of an odd fancy, the application of the principle was confined to a particular color. Others again, merely withhold from foreigners the priviledge of citizenship, and some not even that. All nations, though not all their individual members, agree in referring international disputes, which cannot be otherwise adjusted, to the *mutual* satisfaction of the parties, to the law of strength for decision; and, in such cases, take life and destroy property with as much alacrity and self-complacency as marks the performance of the most beneficent acts.—The principle of justice, as exemplified in the internal policy of nations, we find to be equally various. Some place supreme and absolute power in the possession of one individual,—all others having no rights, being subject to the caprice or tyranny of the sovereign. In these cases, the sparing and uncertain privileges enjoyed by the subjects are not regarded as natural rights, but as immunities emanating from the generosity of the despot. Others award different degrees of rights to different classes—as, for example, under political organizations of the aristocratic type. Others maintain the doctrine of equal rights, and aim to embody and enfore that standard of justice, in social contracts of the republican form;

but these same, when they come to establish the details of their plan, and to practice upon their theory, rarely fail to mete out to the rich and powerful on one side, and the poor and friendless on the other, very different principles of justice.

Again: men differ in opinion as to the justice or injustice of almost every human action. There are those who conscienciously believe in the justice of murder—wilful, premeditated murder—provided the provocation be strong. Fraud is accounted a virtue by many: localities might be named where this opinion is entertained by a majority of the inhabitants. The legal remedy for enforcing the obligation of contracts was recently suspended by our national legislature, with the express design of permitting debtors to escape their obligations: the right of property in actions, to the amount of untold millions, was thus expunged. To carry the inquiry and illustrations still farther, look at the administration of justice. Where the bench consists of a plurality of members, how rarely is it that we find the award unanimous? The diversity may occasionally arise from different interpretations of written law, but more frequently, from a difference of opinion among the judges as to what constitutes justice.

Now, disclaiming any intention to start a doubt in reference to the truth and divine origin of the principles which should govern social intercourse, as expressed and enjoined upon man in the sacred volume—I must, nevertheless, in view of the diversified opinions and ever varying practices of men, be permitted to say, that I place little reliance on the innate sense of justice which the human mind is supposed to possess. I believe, on the contrary, that, aside from revelation, our notions of justice are the offspring of our desire of happiness, and that what we call

the rule of right is adopted because it is an efficient means of promoting happiness; and therefore, that the standard of justice will be high, or low, according to the degree of true knowledge possessed by the community or the individual whose rule of action it is. If it were otherwise, why, I would ask, do we find every individual possessing a standard of justice peculiar to himself, and differing from that of every other person. Those educated in the light of the gospel, and subscribing to its doctrines, profess to make that the guide of their social actions; but it is very often merely profession, while their practice conforms to the lower standard which results from their imperfect knowledge of their true interests. And if we contemplate the condition of the heathen, and the savage, we find as we descend the scale of knowledge, a lower or more imperfect standard of justice as their guide. These considerations seem to warrant the inference that a knowledge of the truth, and virtuous actions, bear to each other the relation of cause and effect, or parent and offspring; and that ignorance and vice stand in the same relationship. In other words, we may conclude, that the more perfectly mankind understand their real interests, the more elevated will be their standard of justice, and, consequently, the more perfect and efficient the social machinery for restraining vice and advancing virtue.

We find, then, that the only legitimate end or aim of goverment is, the augmentation of human happiness; that the only means by which it can accomplish that end is, either by lessening the action of causes which tend to produce misery, or by stimulating those which produce happiness; and that the only machinery which it is competent for society to employ in the matter, is the adoption, and (by means of penalties and other devices,)

the enforcement of such rules in relation to social intercourse as are best calculated to produce these effects. We find also, that the greater the knowledge the more appropriate the rules, and the more efficient the machinery for enforcing them; and that the Golden Rule is by far the most perfect and appropriate that has ever been devised. If mankind were sufficiently enlightened, society would adopt that rule, and so construct the machinery of government as to enforce upon individuals the injunctions it contains. If A is not made to do unto B, C & Co., as he would that they should do unto him, then B, C & Co. will not be made to do unto A as they would that he should do unto them, and the conquence is that all are less happy. But if the rule is made obligatory on all sides, its tendencies are all in favor of happiness, and its restraints only upon actions which produce misery: it gives an impulse to virtue and a paralysis to vice. The more perfect the knowledge, the more rigorously is this rule enforced; and not only so, but the more virtuous the desires which constitute the rule.

Now, of the three classes of governments (the monarchic, the aristocratic, and the republican,) under one or other of which, all political institutions may be grouped, it is obvious that the first two are not based on the principle of justice embodied in the golden rule, but upon its antagonist. The first makes the will of one supreme, the second, that of a class. In either case, the rulers cannot do unto the subjects as they would that the subjects should do unto them without abolishing the distinction and yielding their exclusive power, which would at once transform their government into a republic. The sovereign or the aristocratic class, for example, desire all other classes to obey their laws, and in order

to conform to the golden rule, it would be necessary for them to desire also, that all other classes should rule over them, which presupposes an absurdity. The two desires are antagonistic, and cannot exist together.

But political organizations of the third class—that class which is based on the principle of equality and abides by the will of the majority—approach much nearer to that elevated standard of justice to which I have referred. Indeed, the fundamental principles of republican government may be said to be in strict accordance with that standard, but, in consequence of deficient knowledge in the architects, the superstructure is not equally perfect. In constructing the framework of government, and in filling up the details of the plan by means of statutory laws, with the view of molding those principles into rules for practical guidance, both the scientific knowledge and the artistic skill of the operations have generally proved to be lamentably deficient. The people of the United States, however, have made a very successful effort in this line. They have not attained perfection in their social machinery, it is true; but their political institutions, save one *dark* spot, reflect more truly the spirit of the golden rule, than those of any other people of the present or of former times. This fact is conceded even by the enemies of republican government, but they at the same time maintain that these institutions are so deficient in powers of self-preservation, to say nothing of improvement, that they must soon end in anarchy. This opinion, I apprehend, is not only erroneous, but directly opposed to the truth; for, unless I am greatly mistaken, there is in republicanism an innate self-improving property which no other form of government possesses. Let me explain:

Government is the instrument employed by society for

compelling its members to observe the principles of justice, or the rule of right in their social actions. In doing this, what is evil in the human heart is restrained and its outbreaks punished, while the good therein is developed. Now, it is the peculiar excellence of republican government that its framework is in strict accordance with that design, and its practical results tend to the complete accomplishment of these important ends; for, whilst all are prone to trespass on the rights of others, and each desires for himself the exclusive priviledge of doing so, they are each and all unwilling that others should trespass upon theirs; and, since it is a fixed consequence of republicanism that every privilege granted, or restraint imposed, must be embodied in laws made by the majority for the benefit of the whole, and to which all are alike subject, it follows that the propensity to evil will be effectually restrained,—or, at least, that it cannot find countenance in the law, as it does where government is based on the principle of political inequality. The statute-books of the United States, both state and national, have, it is true, been deformed by numerous acts of special legislation; but they were the offspring of ignorance and fraud, and are rapidly disappearing before a more enlightened public opinion; and when a majority of the community come to understand their true interests, the last vestage of them will be expunged. The truth is, that government, in a republic like ours, where all participate in making the laws, and all are alike required to obey them, is nothing more than the legalized expression of the public judgment as to the best social means of promoting the happiness of each individually, and of all collectively; while, under governments based upon the principle of inequality in civil and political rights, where the few rule and the many

obey, the governing class has the power to choose between the adoption of a false system, (so contrived as to promote their own interests at the expense of those they govern,) on one side, and that of a true and just one on the other. Our knowledge of human nature, as well as the records of history, indicate with sufficient clearness, their invariable choice. Thus, while governments based upon the principle of equality, permit no social wrongs, except through ignorance, those founded in inequality often not only permit, but legalize them as a matter of choice. While the former secure their own stability, and tend to perpetuate themselves by means of the superior benefits they confer, the latter are now tottering under the displeasure of those upon whom their wrongs are inflicted;—while the former, by an equal distribution of benefits, elevate the masses, and, by increasing the aggregate of benefits, augment knowledge, and thereby tend to elevate the standard of justice higher, and still higher—each step in advance paving the way for the next,—the latter tend to degrade the masses, lessen the benefits of government and lower the standard of justice: the only counteracting tendency calculated to prevent the adoption, by the ruling class, of an undisguised and unmitigated system of plunder towards their subjects, being the fear of retribution.

In view of what has now been said, I may venture to assert, that the republican is the best known form of government; that political institutions based on the principle of equality, and constructed in conformity to it, are the best known social means of augmenting individual happiness; and hence, that the chief duties of government are:

1. The protection of life, this being the basis on which all other rights depend.

2. The protection of personal faculties, physical and mental.

3. The protection of personal freedom, and the recognition and enforcement of the principle of equality, so far as it relates to civil and political rights.

4. The establishment and enforcement of such rules in reference to the family relations as will most effectually promote the happiness thereof.

5. The recognition and enforcement of the right of property in value produced.

6. The institution and enforcement of the right of property in Land.

7. The regulation of commerce.

8. The production of money and the regulation of its value.

9. The institution and enforcement of the right of property in actions.

10. The assessment and collection of taxes sufficient to defray the expenses of government, and to provide for the education and support of the infirm and friendless poor.

To these might he added some duties of minor importance, but as I am not writing a treatise on politics, we will not stop to emunerate them. Nor have we strictly speaking, any thing to do with the four classes o governmental duties first named, for they too belong to the science just referred to; but it is manifest that there can be no advancement in wealth where these duties are not well performed. If, for example, there be no security of life and of personal faculties, there can be no security of property, nor indeed, any property to secure. If government unjustly interferes with individual rights and needlessly restrains personal freedom, the example will be followed by individuals, and thus the cords which

bind society together, will be loosened, the community demoralized, and the superstructures—wealth and civilization—razed to the ground. If there be an infringement of the rule of political equality, the aggrieved will never rest satisfied until the inequality is removed; and if the marriage contract be not enforced, and the parents compelled to provide for and educate their offspring, knowledge cannot advance, nor industry possess the requisite vigor and skill to so direct and aid the processes of production, as to preserve, much less augment, the existing volume of wealth. Therefore, it is manifest, that the development and preservation of wealth cannot fail to be greatly influenced by the manner in which these various duties are performed. But since it is not our province to inquire as to the best methods of performing them, we must dismiss these topics with this brief reference to their politico-economic bearing, and, with the assumption that the duties referred to are well performed, proceed to point out the true policy of government, in regard to the six classes of duties connected with social wealth. It is proposed to devote a chapter to the consideration of each.

Chapter 2.

OF THE RECOGNITION AND ENFORCEMENT OF THE RIGHT OF PROPERTY IN THE PRODUCTS OF INDUSTRY, CAPITAL AND LAND.

The origin and nature of this right, as well as the motives which prompt its social recognition and guaranty, have been sufficiently explained in the first division of our treatise; but we have yet to define its just limits, and to indicate the best social means of securing to individuals its undisturbed enjoyment.

First, as to its proper limits. The right of property, so far as the value thereof consists of one's own industrial service, follows necessarily from the right to live in the possession and use of our faculties, because, as we have seen, this element of property originates in the exercise of mental and physical powers,—the value resulting from their exercise, being neither more nor less than the continued existence of industrial service, after it has passed from the individual to the matter upon which his powers have been exerted; and if the individual is entitled to life and to the possession of his faculties, it is clear that he has an equal right to exert them in advancement of his happiness, provided it be not done in a way to mar the happiness of others. So far as the value consists of the productive service of capital, the right of property results from the right just named, since, if the individual has the exclusive right to the value created by his industrial service, it is manifest that his right to the

products of that value, is equally exclusive and valid. To the extent that the value of property is made up of the appropriated natural agents and their productive service, the right has its origin in the Social Contract; but it is also involved in, and, in practice, necessarily results from, the right to the other two elements of property, since all who possess land, have either given an equivalent of industry or capital in exchange for it, or they have inherited it from those who had acquired their title or exclusive right in that way. The right to the sort of property last named, although widely different in origin and nature from the right to the other elements of property, is founded on a principle equally just, and should be held no less sacred, as I shall aim to demonstrate in the next chapter.

The right of property, therefore, as recognized and enforced by society, extends to and includes skill, labor, capital and land, and the value created by the productive service of these prime agents of wealth: it includes the sources of property and their productive employment, as well as property itself. These seem to be its proper boundaries. It does not, or rather it should not, go beyond them; nor is it expedient that it should be regarded as absolute within them. When the right is so exercised as to avoid the production of consequences injurious to society, it should be secured to individuals without qualification or reservation;—thus far the development and preservation of wealth, and, consequently, the general welfare, imperatively demand its social guaranty. But when the productive agents are so employed by individuals as to produce consequences adverse to the general happiness, or when like results follow from the simple possession of property, it is the duty of society to limit the right, either by withholding the needful pro-

tection, or by interposing the necessary restraints. For instance, an individual should not be permitted to enjoy the right of property when its nature is such as to destroy the relative rights of others, as in the case of slavery; nor should he be permitted even to hold legitimate property, when its nature and the attending circumstances are such as to put in jeopardy the lives or the property of others, as, for example, in the storing of powder in a city or populous neighborhood. As relates to the employment of the productive forces, an individual should not be allowed to prosecute, in a densely peopled district, any business calculated to engender pestilence or to destroy the property of others. He should not be permitted to engage in such occupations as tend to impoverish or demoralize the community,—as, for example, in the production and sale of intoxicating drinks—nor in those which are unproductive of value, such as the selling of lottery tickets, and other kinds of gambling. In short, whatever process of production is found to yield more of evil than of good, to be more productive of misery than of happiness, in its general consequences, should be not only excluded from the social guaranty, but its exercise strictly prohibited by the laws of society: it should be regarded as a wrong requiring suppression, rather than as a right entitled to protection. The public good clearly requires this limitation, which fact, when it comes to be generally perceived, will impel the social voice to demand it; and thus, in republics at least, where the laws are but legalized expressions of the public will, the limitation will be established.

It will be seen that the right of property, as here defined, differs somewhat from the standard recognized and established by our constitutions and laws. The external boundaries of the two differ in this, that our

legalized standard includes the right of property in human beings, and the right of property in actions, both of which our definition excludes: and the reasons therefor, will be given in subsequent chapters on slavery and credit, as it is believed the importance and intricacy of the questions involved, clearly entitle each of these subjects to a distinct consideration. The internal limitations of the two also differ essentially in degree, if not in kind. I would not only withhold protection, but interdict the enjoyment of the right of legitimate property, in certain cases where our social machinery protects it,—protects it subject to limitations, it is true, but these are at best feeble, and withal, rarely enforced. Take, for example, the production, importation and sale of ardent spirits. Our government recognizes these as rights, and it protects individuals in their enjoyment, subject to no other restraints than such as are afforded by the imposition of taxes somewhat higher than those assessed on other kinds of property ,and on other pursuits. This, however, imposes no practical restraints, because the augmented taxes are paid by the consumers in the increased price of the product. The enhanced price does indeed slightly diminish the consumption, and thus indirectly restrains the production and distribution; but, in this case, the degree is too inconsiderable to produce practical benefits.

Aside from its medicinal and chemical properties—if indeed these constitute exceptions—alcohol is wholly destitute of real utility. It is not only destitute of useful properties, but fraught with those of a contrary nature. In view of the frightful amount of human misery it has produced, we are, perhaps, warranted in regarding it as the most potent instrument of evil the world has ever known. Be this, however, as it may, I cannot be mistaken in saying—since every one's observa-

tion and experience will confirm its truth—that the general wellfare is lessened by its presence; that it retards the development of wealth, and hastens its consumption; that it augments misery and diminishes happiness; and hence, that its suppression, or the interdiction of its production and distribution, would be beneficial to society. If the evils resulting from alcohol were confined to those who consume it, society might not feel justified in interposing restraints. It would then be a matter in which it had no interest, the individuals and their own consciences being the only parties concerned. It is well known, however, that such is not the case. Nearly all the trespasses on the rights of life, personal faculties, and property, as well as most of the demands for public charity, result either directly or indirectly from this fruitful source, to say nothing of the misery inflicted on women and children by the intemperance of husbands and fathers. It is, therefore, competent for society to exercise its prerogative in suppressing the evil,—as clearly so, it appears to me, as to suppress any other social evil; and, in view of the good which might be thus attained, I hold it to be the duty of government to pronounce the production, importation, and sale of alcohol, severally, misdemeanors, and to suppress them by means of the needful penalties and punishments. This suggestion may appear illiberal,—doubtless it will be so regarded by many,—but when we reflect on the lamentable social evils produced by alcohol, and remember that we may search in vain for its compensating benefits, we should rather be astonished that society has so long neglected the performance of such a manifest duty to itself.

If it be objected that the assumption of this prerogative, on the part of society, would be an unauthorized in-

terference with individual rights, it may be answered that the propensity to drink to excess, like the propensity to steal, cheat, or gamble, is one of those hurtful and unruly desires, which the conscience, aided by divine law, is unable to keep at all times in subjection to the judgment; and since every act of insubordination produces consequences injurious to society, it follows that society is warranted in interposing the restraints necessary to protect its own rights. The exercise of this social prerogative would be in strict accordance with the general maxim of republicanism, which enjoins that line of policy which will secure the greatest good of the greatest number. Indeed, we may go further, and affirm, that the suppression of the product and traffic under consideration, would be productive of good unmixed with evil;—the happiness not only of the majority, but of the whole, would be promoted by it. It is well known that a large portion of the crimes committed are either superinduced or directly prompted by the consumption of this product. It is deemed proper that society should exercise the prerogative of punishing those who commit these trespasses,—the plea of intoxication not being regarded by the law as even a mitigating circumstance. How manifestly proper, therefore, that society should exercise the milder but far more efficacious prerogative, of suppressing the cause which prompts their commission. It would thus uproot the evil, and thereby avoid the injurious consequences of the offence, as well as of the punishment. Crimes which result from the innate depravity of the perpetrator, cannot be prevented by suppressing their cause. Society has not the power to exterminate the vicious propensities of its individual members. It cannot dry up human passions and evil desires, as it can the fountains of rum. It is compelled,

therefore, in reference to this class of crimes, to adopt the expedient of penalties and punishments: it has no other direct remedy. But in regard to the crimes and other social evils which result from alcohol, there is no such compulsion. There, the root of the evil is detached from humanity—detached even from animal and vegetable life. It stands entirely alone, an inanimate compound of evil, extracted by man from the products of nature, as if to show the extent to which his genius and industry can be perverted. Thus isolated, without the semblance or order of utility about it, society, by interdicting its future production and distribution, may completely exterminate this fruitful source of crime and misery, without injury or injustice to a single individual. When this question shall have passed through the purifying process of scientific investigation and discussion; when philosophic statesmen shall have divested it of its prejudices and errors, so that its true merits may be understood, I have not the slightest doubt that all republican societies will adopt and enforce the limitation of the right of property herein suggested. If it should be considered necessary to continue the use of alcohol in the practice of medicine, and in the arts, government might authorize the production and distribution of a specific quantity for those purposes; or it might assume the task of producing and distributing it by means of its own agents.

If there are any other rights of property now recognized and protected by government, which, in a social point of view, are more productive of poverty than of wealth, or of misery than happiness, they may be classed with the above; and, for the reasons already given, society should convert its protection into prohibition. The same might be said of all *civil* and *political* rights;

but as these lie without the boundaries of our subject, they are referred to merely for the purpose of excluding them;—though it will have been seen that, in discussing the questions connected with the just limitations of the right of property, I have been compelled to push my inquiries into the very centre of the field of political science, in order to ascertain the effects of certain divisions of this right on the general welfare and happiness; for in the absence of this knowledge, we could not decide intelligently as to the validity of the right. Without occasional departures of this kind from our appropriate province, for the purpose of tracing out the ultimate consequences of specific causes, our inquiry would be manifestly incomplete, if not altogether worthless.

Another right recognized and enforced by some governments, though not by all, is the right of gambling. This may be regarded as a right of property, because those who exercise it do so with the view of procuring property. It should be not only excluded from the social guaranty, but its exercise forbidden, for the reason that its social consequences, like those emanating from the production and distribution of rum, are evil unmixed with good; and for the additional reason that it is unproductive of value in any form. It is the distinguishing attribute of gambling—an attribute by which it may be recognized under whatever disguise it chooses to assume—*that it yields no product*. In its processes, skill, and labor, and capital, and land, are always employed, but no value of any kind ever results from their services. At the end of each and every process, the quantity of value is the same as at the commencement,—at least, there is no increase. The value merely changes hands; what one gains another loses; while the productive

agents thus employed must be maintained, or kept in repair, by consuming wealth produced by others. Gambling, so far as it affects society, may be classed with counterfeiting, cheating, stealing and robbing. They all require an outlay of productive service, but neither produces value; they each aim, by different methods, to procure the property of others without giving an equivalent; and they all rely on the same qualities of human nature to furnish them victims, namely, ignorance and credulity. If either vocation is less tolerable than the others, I hold it to be gambling. Its votaries seem to be more completely divested of conscienciousness; for while they will strip a victim of the last vestige of his property, without any apparent compunctions, those who follow the other vocations are usually satisfied with a small share. Besides, the first not only strips its victims of their property, but of their virtue as well, while the latter leave the character of the victim unimpaired. For these reasons, gambling should be regarded as a crime rather than as an individual right. The prevailing error of society on this subject, as evidenced by its laws, is, that it regards it as neither: gambling is *excluded* from the list of individual rights, but it is not *included* in the list of social prohibitions.

The term, gambling, is here employed in its widest signification, in which it denotes not only the act of gaming for money, and the traffic in lottery tickets, but every other occupation or calling which is unproductive of value, such as purely speculative operations in stocks and merchandize, and in all other kinds of property. He who sells 1000 bbls. of flour at a given price, to be delivered on a future day, not having the flour either in possession or expectation, in effect merely wagers that the article

will decline in price, while the purchaser wagers that the price will rise. And if the flour be actually delivered, and the purchaser has no other motive than speculation—if he buys with the sole view of holding for a rise, without any purpose of distribution—then the transaction on his part should also be denominated gambling, because it is unproductive of value. These remarks will apply to all purchases and sales purely speculative; but, since transactions of this character closely resemble the legitimate operations of commerce, and rarely take place without some admixture of the latter, it would be exceedingly difficult for society to suppress them, and at the same time avoid an improper interference with the exercise of legitimate rights. It is believed, however, that gambling operations in stocks, and some other transactions of like character, might be included in the social prohibition, with advantage to the community, and without doing violence to the legitimate rights of individuals.

Here it may be well to say a few words in explanation of the legitimate boundaries of commerce, lest it be supposed that I have fallen into the popular error of believing that merchants, and especially jobbers of merchandize, are non-producers. This fallacy, if not general, is at least widely entertained. It has its origin in the fact that merchants sell the identical commodoties they buy, without either producing them or changing their qualities or their forms. It is perceived that agriculturists produce wealth by increasing the products of the soil, and that manufacturers and artizans produce it by altering the forms of these products, so as to fit them for use and consumption; but the equally indispensable, and therefore productive service, which the merchant performs in shifting their locality, and in making the distribution, seems to have escaped the observation

of those who thus err. Commerce performs the office of distributing wealth. Merchants are the prime agents of commerce; they direct, superintend, and accomplish its processes. Every merchant through whose hands commodities pass, during their journey from producers to manufacturers or consumers, increases their value, either by placing them nearer the point of ultimate destination, or by actually accomplishing their distribution. Take, for an illustration, the commodity tea. This product is more valuable in the warehouse of the merchant of Canton, than it is in the hands of its producer, because it is then nearer, or more accessible to, its consumers. It is still more valuable in the hands of the New York importer, and for the same reason. When it passes to the hands of the New York jobber, its value is again enhanced, not in virtue of its shifted locality, (for in this case no material change of place occurs), but for the reason that it is then accessible to the retailer, in quantity and quality adapted to his wants. And so the latter, by placing it within the reach of consumers, gives another and final addition to its value. It is thus in relation to all other commodities which pass through the channels of commerce: each intermediate agent is necessary to their cheap, expeditious and perfect distribution. Were it not so, the laws of trade would promptly expel the unproductive agents, by rendering their vocations unprofitable. In fact, they do thus expel not only the supernumerary votaries of commerce, but its unnecessary agencies and machinery as well; by which means, that department of production is kept within its legitimate or useful limits.

Thus far in our examination of the right of property, we have searched only for errors of enlargement,—that is, for features of the right, as now established by law,

which the public good requires should be either curtailed or abolished. We have next to inquire in what respects, if any, the right has been improperly abridged. So far as our government is concerned, its errors of this character consist mainly of laws conferring exclusive privileges, and of those relating to the interest of money. It must not be forgotten that the right of property includes the right of using it, or employing it productively, (provided it be exercised without detriment to others) as well as the right of holding it; for without this, its recognition and enforcement, would confer no benefits. Now, in granting to an individual or class the exclusive privilege of prosecuting a given process of production, the relative rights of those excluded are necessarily abridged. In fact, every grant of this kind should be entitled "an act to restraint all men except A, B & Co. from employing their industry, capital or land in the production of, &c." If the business or vocation yields good fruits, if it tends in the main to augment wealth and promote the general welfare, the right to prosecute it should be enjoyed by all; if injurious, it should be withheld from all. Class legislation is a strange anomaly in a republic, for it is opposed to every principle on which that form of government is based. It can only result from fraud or ignorance on the part of the representatives, and can only be endured by a constituency profoundly ignorant of its real interests.—Usury laws are free from the odium of benefiting one class at the expense of another, for they injure the borrowing interest quite as much as they do the lending; but they are obnoxious to the charge of imposing a general restraint on the exercise of a legitimate right, and of thus retarding the production of wealth. Money, like industry, land, or capital in any other form, is a productive agent. Any mo-

tives of policy, which may seem to authorize a legal limitation of its revenue, will furnish reasons equally valid for limiting the revenue of all other productive agents; but, until it is demonstrated that the world is getting rich too fast, no sufficient warrant can be found for either. Whenever money becomes scarce, the inevitable tendency of usury laws is, to divert it from channels of greater productiveness to those of less, by which means the development of wealth is restrained. It is well known that those laws also tend to demoralize. Their injustice andabsurdity challenge the contempt rather than the respect of the community, and give birth to all sorts of ingenious devices to evade them, and even to frequent acts of open violation; all of which tends to impair the force of just and necessary laws. The mischievous consequences of those laws are, therefore, obvious and certain; and yet we may search in vain for a single benefit derived from them. They are productive of evil unmixed with good, and hence, should be abolished. There is no sufficient reason why the right of property in money should be denied, in its exercise and productive employment, the same degree of freedom that the right of property in industry, land, houses, and machinery is permitted to enjoy.

Having thus imperfectly defined the right of property, and pointed out what I conceive to be the chief errors of our policy in regard to its institution, it now remains to consider the best social means of securing to individuals its undisturbed enjoyment,—in other words, the best means of protecting property from stealth, violence and fraud. It will be perceived that this inquiry leads directly to the province of criminal jurisprudence; but it needs scarcely be said, that I am not about to enter a field so vast, and with the principles of which I am so imper-

fectly acquainted. I merely propose to give a passing glance at the subject with the view of ascertaining the philosophy on which criminal laws are based.

Penalties and punishments are the means usually relied on by society for the protection of property from stealth, violence, and fraud, as well as for the protection of all other rights. This seems to be the only practicable remedy in all cases wherein the social prerogative is not competent to reach and suppress the causes of trespasses. But wherever government has the power to control the cause of crime, and, by suppressing that, to prevent its commission, this expedient should be employed in preference to penalties and punishments, because it screens society from the mischievous consequences of the offence as well as of the punishment, all of which it must endure under the expedient last named. We have seen how the preventive remedy might be successfully applied to crimes superinduced by alcohol; namely, by interdicting the production and sale of that fruitful instrument of mischief. And the same effective method may be adopted in all cases in which the remote cause of trespasses is known to reside in property, or indeed any where else, provided its nature and circumstances are such that the laws of society can be made to reach and control it. But where crimes have their origin in the constitution of human nature,—where they are directly prompted by ignorance, or passion, or by innate depravity, the preventive remedy cannot be applied with equal directness and certainty. Much, however, may be accomplished even in those cases, by promoting intellectual and moral culture, which may be termed the indirect method of prevention. Ignorance must be regarded as the principal cause of all vicious actions except those which result from the outbreaks of

passion and the insubordination of desires; because, minds enlightened by a knowledge of the truth, readily perceive that vicious actions produce misery, that the practice of virtue is the best means of securing happiness; and I hold it to be self-evident that the judgment invariably dictates in obedience to the promptings of that supreme desire. Ignorance, therefore, is a fruitful source of crime, and being so, it is incumbent on society to diminish it by all the instrumentalities at its command. The subject is universally regarded in this light, as may be inferred from the fact that all governments foster and encourage education, by appropriating less or more of revenue to its support, to say nothing of other expedients designed to promote the acquisition of knowledge. Some governments go much farther than others in the performance of this duty; but it appears to me that the boldest and the best, among which may be reckoned some of our state governments, have stopped far short of the true policy. The State of New York, which, it is believed, may justly claim pre-eminence in this regard, has placed within the reach of every child within her limits, the means of obtaining what is called a common school education. At this point she stops; her efforts do not go beyond it. Now, if, in addition to this, she should place within the reach of her children, the means of obtaining a general outline of the scientific knowledge of our times; and, after having thus enlarged the proffered mental aliment, she should then (by penal laws aimed at neglectful parents and guardians) compel them to partake of it, or of other aliment of like character, I am persuaded the utility of her system would be vastly increased. As a general rule, study and mental discipline are not agreeable employments in the estimation of children. They are incapable of ap-

preciating the advantages of knowledge, and parents are often neglectful. For these reasons, a large share of the advantages which might be derived from systems of public education are lost for want of a compulsary clause. With that additional feature, much of ignorance and its mischievous consequences might be banished from society.

But after all that can be properly done by society, in the prevention of trespasses, by the direct and indirect methods of removing or lessening their causes, many will still occur, to which the only remedy applicable is the direct one of penalties or punishments. It becomes of interest, therefore, to understand the nature of this remedy, and to inquire as to its proper extent and character. Its only legitimate aims appear to be, to compel restitution or remuneration, and to prevent future offences, either by restraining the perpetrator or by deterring others from the commission of like offences. In regard to the degree of punishment necessary to secure these ends, it is to be remarked that experience and observation are the only safe guides. There is one rule, however, that may be safely adopted, namely, to shut out of the penal code every feature and sentiment of revenge. When we consider that man is the involuntary being which nature, education and association have made him,—that his character is, mainly at least, formed for him and not by him—that he is in a great measure incapable of controlling his own actions,—we must perceive the impropriety and injustice of permitting punishments to be tainted with the spirit of revenge. On the contrary, the nature of the punishment should partake as largely of mercy as the safety of society will warrant, and its character should be such as tends to the reformation of the criminal. The present tendency

of public sentiment on this subject, throughout the civilized world, is in the direction of mitigation. It has already infused more of mercy in the penal code than the world has hitherto witnessed, and we shall soon be able, by observing the effects, to form a well grounded opinion as to the propriety of the change. Thus far the effects seem to have been salutary. It is to be hoped that we may safely advance much farther in the same direction; but I have my fears. It seems to me there are unmistakable indications that a much greater mitigation of the criminal code would embolden the ignorant, the idle, the vicious, and the depraved, to disregard all rights, and especially the right of property,—to the extent perhaps of demanding an equal distribution of the existing wealth. I regard the present tendency as one of those vibratory movements to which all things in nature appear to be subject. The penal codes were, for a long period, unnecessarily severe; that undue severity caused the reaction now witnessed, and, whenever the rigors of criminal law shall become so far relaxed as to give society a foretaste of anarchy, we may expect another reaction in public sentiment, followed by increased severity of punishments. Be this, however, as it may, there is one feature of deformity in criminal jurisprudence which calls for special notice and condemnation. I refer to the prodigious difference between the law as it is written, and the law as it is administered. Penal laws are not enforced with sufficient fidelity. Either the legal penalties are too severe, or public sentiment is too lenient, for their disparity is immense in all countries, and especially in the United States. Our jurors and judges, in obe dience to their own notions of duty, and in conformity with public sentiment, usually fritter away the rigors of the law and the force of testimony to such a degree

that, while convictions are rare, the penalties awarded are of the mildest grade that the law permits; and even these are generally remitted by those entrusted with the pardoning power. It were far better that the law should be abolished, or its letter and spirit made to conform to public sentiment, than to thus trifle with its provisions. The evil, however, if it be one, will be likely to work out its own cure. Experience will demonstrate as to which is in error—the law or its administrators—and then the public sentiment will make the needful correction.

In what has been said in relation to the enforcement of rights, it will be seen that I have included all other rights as well as that of property. All legalized rights, and all penal enactments for enforcing their observance, being designed to secure a common end—the promotion of the general welfare; and the different divisions being linked together by reciprocal influences, it was believed that a passing glance at the whole field of criminal jurisprudence would be the surest means of arriving at correct conclusions in reference to laws specially designed to enforce the right of property. As the result of the general but imperfect survey, I have to remark that, so far as the enforcement of the specific right under consideration is concerned, I have no explicit emendation to suggest, in the existing penal laws of the United States. Their effects prove them to be well adapted to their true ends, since they not only render the property over which they stand guard, at least as secure as it is in any other country, but accomplish that end by milder punishments than can be found in the practices of any other nation of the present or of the past. For these happy results we are, doubtless, more indebted to the favoring tendencies of a cheap and fertile soil, and to a

republican form of government, than to the peculiar mildness, or other excellencies, of our penal codes; but, since the general result is favorable, it is perhaps the safest course to follow the trite adage, and leave well enough alone. It is certain, however, that, as a community, we suffer more from the direct injuries produced by offences against the right of property, than by those which result from the punishment of offenders,—in other words, that we are nearer anarchy than despotism; from which it may be inferred that the change demanded by the public good, if any, is an augmentation of penalties and punishments.

Chapter 3.

OF THE INSTITUTION AND ENFORCEMENT OF THE RIGHT OF PROPERTY IN LAND.

In a former chapter it has been shown that land does not possess real value, except in its meliorations,—that the utility inherent in it is the gift of nature, and not the production of man or his instrumentalities; that the imperative necessity of incorporating value with the soil, in order to increase its fruitfulness, induced the more enlightened sections of the human family to establish and enforce the right of private ownership; that this has been accomplished by means of first transforming a natural right, common to each individual, into a social right, and afterwards transferring the latter back to individuals, in definitive portions accompanied with the social guaranty, upon the payment of an equivalent. It has been shown also, that this expedient constitutes the chief corner stone of social wealth, and that it is fraught with extraordinary powers of productiveness,—that it is, in fact, that master stroke of social policy, by means of which, more than by all other instrumentalities combined, man has been elevated from barbarism to civilization.

But notwithstanding the momentous benefits derived from this expedient, there are many who regard its

adoption as an improper assumption of social power, and the right which it confers, as illegitimate. They maintain that the appropriation of the soil is unjust to those who do not possess any portion of it, and especially so to those who, upon entering the arena of production, destitute of such inheritance, find the land already monopolized by earlier comers. This monopoly, it is averred, violates the natural rights of the landless, because it excludes them from a participation in benefits which nature designed as a free gift to all. A few words will suffice to show the unsoundness of these opinions, and to vindicate the policy under consideration.

According to the fundamental rule of social policy adopted by our government—a rule which I have endeavored, in the two preceding chapters, to inculcate as the true one, and which is briefly expressed in the republican maxim, "the greatest good of the greatest number"—the right of property in land is clearly legitimate, because it is universally conceded that its recognition and enforcement has produced more of benefits than of injuries: the relative superiority of man's condition wherever it exists, as compared with his condition in its absence, affords indisputable evidence of this fact. But we may safely go farther, and affirm, that it is beneficial to every member of the society adapting it—or rather, *that it operates equally, and places within the reach of all*, benefits which they could not otherwise compass. If there are those who fail to partake of the proffered advantages, the fault must be their own, since the policy presents no features of exclusiveness or inequality. Its conditions are the same to all.

It will not be denied that the members of a community have a right to enter into whatever contract they may choose, with the view of bettering their social condition,

provided its enforcement inflicts no wrong on any portion of themselves, nor on the members of other communities. Now let us examine the agreement under consideration, and see whether its stipulations do not conform to even this illiberal rule. The contracting parties are possessed of a right, common to each, to partake of the utility derivable from the soil. They mutually agree to surrender to the mass that common right, and to accept in its stead, the exclusive right to definitive portions,—subject, however, to this condition: that the exclusive right shall not be conferred in any case without the payment of an equivalent, or other uniform consideration stipulated in the contract. Taking the procedure of the United States in reference to this subject, as the type of the agreement by which the right of property in land has been established, this is the length and breadth of its provisions. Examine the subject in whatever aspect we may, these are the only essential features it presents. There is surely no injustice perpetrated here. Every member of the community is placed upon an equal footing. All the provisions of the contract come within the limits of that absurdly stringent rule of social policy, which requires the body politic to refrain from the assumption of prerogatives, in the exercise of which, wrong or injury is inflicted on any portion of its members. An equal *per capita* division of the soil (if such a plan were practicable, which it is not) could not be more equitable,—indeed it would be less so, as may be readily shown.

It is well known that some occupations require the concurrent service of more land than others do. The processes of agriculture, for example, require more than those of mining, commerce, or the manufacturing arts; and yet, the productive service of the smaller quan-

tity is worth as much to those who prosecute the latter as the larger quantity is to cultivators of the soil. Wherever commerce or the manufacturing arts, in obedience to the invitations of favoring locality and other natural advantages, select their theatres of action, there the market value of a building lot, and the net revenue derived from it, are equal to the market value and the net revenue of many acres of land appropriated to agriculture. These indeterminate but uniform principles are known to every one from observation; and in my attempt to unfold the natural laws of trade, I have proved, it is hoped, that the following definite principles obtain: namely, that capital is everywhere proportionate to population, and that the market value of land is the counterpart of the capital placed upon it and concurring with it in production; from which it follows, that, when estimated in the mean, the market value of single building lots of ground appropriated to commerce, or to the arts, and thus employed productively by individuals, is precisely equal to the market value (of the land independent of meliorations) of single farms appropriated to agriculture; and if their respective market values are equal, it follows that the net revenue, or the value of the productive service derived from each, must be equal also.

We find, then, that nature has variously endowed the soil, having conferred on some localities productive properties which invite the co-operation of the miner, on others, those which attract the merchant or the manufacturer, and on others, qualities esteemed by the husbandman—to say nothing of the relative difference in productive powers, between different localities of the same class. We find, also, that the miner, the merchant, the manufacturer and the artizan, respectively require, for the profitable employment of their industry

and capital, the concurrence of a much smaller quantity of land than is needed by the agriculturist—probably not more than the one thousandth part; and the service of the larger quantity is worth no more to the last named than that of the smaller quantity is to either of the others. In view of these facts, how manifest the injustice and unfairness of an equal division of the soil. If that system should be adopted by a state in which the industry and capital were sufficient to employ productively the whole of the land, it is obvious that cultivators of the soil would receive much less than their occupation required, whilst all others would receive a superabundance, for the use of which they would compel the former to pay them tribute. And in case population were sparse and lands redundant, as, for instance, in the United States, the injustice towards the agricultural interest would be the same, because the adoption of this system would either force a portion of the cultivators into the wilderness, remote from a market, and thus deprive them of the benefits derivable from commerce and the arts, or else compel them to forego their portions, and to pay tribute to the other interests.

The objections just urged against an equal division of the soil, on grounds of equity, will not apply to the existing system. They are completely obviated by that provision in the land agreement, which requires the payment of an equivalent for the exclusive right, whenever it is conferred. All individuals, and all interests, are thus placed on an equal footing. If the locality be adapted to commerce or the arts, the equivalent will be relatively high—the better the adaptation, the higher; if to agriculture only, it will be relatively low—the less fertile the soil, the lower; and, in every case, the equivalent paid, goes to the common fund. The simplest

and most certain rule for determining the true money equivalent of any given section or parcel of the national domain is, to sell it at public sale to the highest bidder. The system of equivalents, and this rule for determining them, have been adopted by the government of the United States, with which, however, it has skilfully combined the feature of a stipulated consideration, by establishing a minimum price, below which, no portion of the public lands can be sold, either by auction or at private sale. For example: when surveyed and brought into market, the lands are first offered at public sale, subject to that limitation; the more valuable sections find purchasers, some above, and others at, the minimum price; the less valuable remain subject to entry at that rate; and whenever the swelling tide of industry and capital has approached sufficiently near to render this price the true money equivalent of such sections as remain, then these find purchasers also. Thus, by means of this admirably devised plan, the right of property in land is conferred on individuals at relative prices exactly corresponding with the relative value of the respective parcels or sections at the time of conveyance. But we have yet to enquire whether the absolute price agrees with the absolute value. In the purchase of public lands, all individuals are placed upon an equal footing,—each pays, according to a given ratio, in proportion to the value received; but it may be that all pay either too much or too little. This question we will briefly examine.

We have seen that land does not possess real value, and that its market value in the reflection or counterpart of the capital either placed upon it, or standing ready to concur with it in production. From these facts it might be inferred that the true equivalent of the value

of unappropriated lands, is, just nothing at all,—in other words, that the exclusive right should be conferred on individuals without consideration or price; and the inference would be legitimate, were it not for the fact that government is compelled to expend on the land, less or more of capital, in order to render itself competent to furnish to individuals perfect titles. This fact destroys the validity of the inference. Government, for example, must extinguish all pre-existing titles; it must have the lands surveyed, and carefully marked off into sections and lots; it must execute the title deeds, and preserve a record of them; it must perform all these acts, and incur the expenses incident thereto, before it can be in a position to furnish perfect titles. For these outlays it is clearly entitled to remuneration, but to nothing more. Government may be regarded as the trustee in this matter;—it holds the public lands in trust for the benefit of the citizens, and, in making the distribution, it should receive a consideration sufficient to defray the expenses of the trust. The expenses referred to, are incident to the *establishment* of the right of property in land. There are others growing out of its *enforcement*, but it is alike customary and proper to defray these by means of taxation.

We find, therefore, that the absolute value of the national domain is, the cost incident to the social trusteeship; that the prices of the different sections should correspond with the relative value of each; and that the aggregate price should be equal to the aggregate expenditure. Now, upon examining the results of the public land policy of the United States, we find that it conforms to these just principles. Whether this conformity should be regarded as a fortunate accident, or as the result of enlightened economic views on the part of

those who framed the policy, I are not prepared to say, nor is it material. It is sufficient to know that the existing land policy of our government is just and wise. But if, as we are bound to suppose, the authors of this policy adopted it with the design of causing the aggregate receipts to equal the aggregate expenditure, because they knew that the latter constitutes the true and only value of the public lands, then we cannot but admire the extraordinary skill displayed by them, in so framing it as to produce this result, without departing from the principle of selling the different sections and lots at prices corresponding with their respective values. The extreme difficulty of devising a system capable of combining and carrying out these two principles, will appear from what follows.

The absolute price of the public lands might be made to coincide with their absolute value in the aggregate, by establishing a uniform price per acre. But that system would not combine the principle of selling each section at its relative value, because it puts all classes of land —the mineral, the commercial, the manufacturing and the agricultural, between each of which, there is a wider difference in value—and all qualities of each, at the same price. The relative price would be made to agree with the relative value, by the simple expedient of selling all the public lands by auction, to the highest bidder, without limitation or reservation. But this system would fail to produce a correspondence between the aggregate expenditure and the aggregate receipts, because, in this case, the absolute price of each section would depend on the quantity thrown upon the market. The market price of land, like every other commodity, is governed by supply and demand; and, while supply and demand, in relation to all other commodities, are so ruled by self-interest and the desire of happiness, as to cause the

average market price to coincide with the true value, the supply of unappropriated land is dependent upon the will or caprice of the government, it being the sole proprietor. Being possessed of this monopoly, it has the power of elevating the price by withholding the supply, or of depressing it by crowding its lands upon the market. Therefore, neither system will combine and carry out both principles. But, by a skilful combination of the two methods, and by establishing the appropriate minimum price, this end has been attained by our government, and it has thus succeeded in devising and adopting the true policy. This policy cannot be departed from, nor could any other have been established in the first instance, without doing violence to the principle of justice. We have already seen that it cannot, in equity, depart from the principle of relative value; and we will now proceed to show that its conformity with the principle of absolute value is equally essential.

In the first place, it is to be observed, that the injustice consequent upon *commencing wrong*, is not so direct and apparent, nor is it equal in degree, to that perpetrated by *changing from the true policy to a false one.* In illustration of the mischievous consequences of a wrong beginning, let us suppose an infant State to adopt the policy of charging its individual members 100 per cent. profit on land, instead of selling at cost and charges. What would be the consequences of this policy? How would it affect the rights and interests of the individual members, or of the different industrial classes? The only legitimate disposition that could be made of the profits, would be, either to apply them in payment of expenses incident to the performance of other governmental duties, or to distribute them amongst the members of the community. In either case, this policy

would seem to extort tribute from the purchasers of land for the benefit of the whole community—to tax a part for the benefit of the whole. Such is not the consequence however; the injustice is only apparent. We have seen that the natural laws of trade produce an ultimate uniformity in the rate of profit in all departments of production, however numerous or violent the disturbing influences may be; and that the same laws award to the proprietors of land, one quarter of the aggregate profit, regardless of the relative quantity of land employed. Now, it is obvious, that the higher the price demanded for unappropriated land, the smaller will be the quantity purchased, and made to concur in the processes of production; because, in the first place, the higher the price, the smaller the number possessing the means of purchase, and in the next place, the higher the price, the smaller must be the quantity employed, in order to maintain the equilibrium of profits. Therefore, in the case supposed, the profits charged by government, in the sale of unappropriated land, would first diminish the quantity which would otherwise be productively employed; this diminution would enhance the market value of the services of the land brought into employment, by which means, the purchasers thereof would be remunerated for the tribute paid to government, and the equilibrium of profits maintained. The erroneous policy under consideration, does not, therefore, violate the right of individuals, nor of classes: it operates on all alike, and leaves their relative condition the same. But, by placing an unnecessary, and therefore an unjust barrier, between industry and capital on the one side, and unappropriated land on the other, it mars the prosperity of the whole. It lessens, as we have just seen, the quantity of land productively em-

ployed; it withholds from industry and capital a portion of the land with which their productive powers are capable of concurring; it thus partially seals up, for a time, the fountain of natural wealth, causing its stream of productive service to flow with less fullness and vigor than nature designed, and thereby diminishes the aggregate production of wealth, and lowers the standard of profits. This is the only mischievous consequence, provided the profits received by government are applied in liquidation of other necessary expenditures of the state; but if the profits are distributed, then we should add to the evil just pointed out, the pecuniary loss incident to, and the corruption engendered by their collection and re-distribution.

Should an infant State commit the opposite error of establishing the prices of unappropriated lands below the natural or true value, these consequences would not, of course, ensue; but it would thereby expose itself to others, perhaps equally injurious. The prices, or the mean price, could not be established much below the cost of producing perfect titles without abandoning the principle of relative value, which, as we have seen, cannot be done without disregarding the plainest dictates of justice. The establishment of a low minimum would, however, produce a mean price below the mean cost, without departing from the rule of selling the different parcels at prices proportionate to the value of each. Assuming the erroneous policy not to transcend these limits, what would be its consequences? It could not be productive of benefits, since what individuals gained by the low price, the state would loose. That loss the state would be compelled to make good by taxation; and since the natural laws of trade make an equal distribution of the benefits, and of the burdens, award-

ing to every individual equal portions of each, it follows that no one would gain, but, on the contrary, there would be an aggregate loss equal to the expenses incurred in the collection of the taxes necessary to make good the loss on land. To the extent of that loss, the policy under consideration would prove injurious to the political society adopting it. It would also be productive of another mischievous consequence far more detrimental to the general welfare. By establishing the prices of public lands below their true value, it would cause an unnatural dispersion of population, and thus diminish the benefits derivable from commerce and the arts, and from associated efforts.

Such are the evils consequent upon the policy of selling the public lands, either above or below their true value, when adopted and persisted in from the beginning. The act of changing from the true policy to a false one, is not only productive of similar consequences, but liable to another objection of a more direct and serious kind; namely, it benefits one class at the expense of another. Let our government, for example, change the minimum price from $1\frac{25}{100}$ to $2\frac{50}{100}$ per acre, thereby enhancing the price of all public lands one hundred per cent.—What would be the effects of the change on existing interests? It could not fail to enhance, and that promptly, the market value of all lands owned by individuals, to the same extent—namely, $\$1\frac{25}{100}$ per acre, for the poorest quality, and in that proportion for the better qualities. As, for example, when the law gives to an individual or corporate body, the exclusive privilege of producing any given article of wealth, the market value of the existing supply of that article at once conforms to the arbitrary price established by the monopolist, and for the obvious reason, that purchasers will take the one and leave the other,

so long as there is a perceptible difference in favor of either. And it is precisely thus in relation to the market price of lands. Government possesses the monopoly,—it is invested with the exclusive privilege of furnishing new lands to meet the augmentation of demand; consequently, when government raises the price of fresh supplies, the demand is thereby concentrated on the existing supply, and thus the market value of private lands is forthwith expanded, and made to conform to the arbitrary standard established by the government valuation. It is clear, therefore, that the change referred to, must inevitably produce the effect stated, namely, a corresponding enhancement in the price of all private lands. We might now advance a step, and proceed to deduce the first consequences of this effect, then move onward to the next link in the series, and so on, until all the important consequences of the measure were traced out; but since the argument would be similar to others already advanced, it is not deemed necessary to present it. I shall therefore merely state the ulterior consequences, and refer to the chapter on the Natural Laws of Trade for evidence of their soundness.

The first effect of the enhancement of the market value of private lands (by the means referred to) would be to enrich the proprietors of land, to the extent of the enhancement, and, in the same degree, to impoverish the proprietors of industry and of productive capital. The next consequences would be to diminish the relative quantity of land productively employed, and to augment the revenue of a given quantity of it; to lessen the rewards of industry and the profits of capital, and, at the same time, to retard the increase of both. And the ultimate economic consequence would be, to lower the national standard of profits. Therefore, our government could

not enhance the present price of public lands without rendering itself liable to the double charge of injustice and folly. The injustice of the measure would consist in an arbitrary transfer of a portion of the wealth of the landless to land-owners,—its folly, in lowering the standard of profits, diminishing the aggregate of wealth, and thereby impairing the general prosperity.

Should a change take place in the opposite direction, (which, it may be remarked, there is far more reason to apprehend,) the consequences would be no less in conflict with the principles of justice. To reduce the price of government lands, would lessen in an equal degree, the market value of all other lands, and thereby impoverish the proprietors of land and enrich the proprietors of industry and capital. This measure is also liable to the objections, that its adoption would render necessary increased taxation with its attendant evils, and that it would still farther disperse our already scattered population.

From the foregoing considerations, we derive the following general conclusions, namely: That society has not trespassed on the rights of any one of its members, in establishing the right of property in land; that the contract by which it has been accomplished, (taking the existing land system of the United States as the model or standard) conforms to the principles of justice, and to the maxim of political equality; and that the policy is dictated by true wisdom, since it is fraught with momentous benefits to all who choose to partake of them, and is unproductive of injury to any.

Therefore, if the policy is liable to well founded objections, they must be urged, not against the right to acquire and to hold landed property, but against that other feature of the agreement, which establishes the right of

bequest and inheritance. This feature is quite distinct from the former, and if it should be found obnoxious to the charge of injustice, or of folly, it might be abrogated without disturbing the other provisions of the contract. But I apprehend that the right to convey, bequeath and inherit, will be found as free from valid objections, and as conducive to the well-being of society, as the right to acquire and hold.

We have seen that the right of property in land is no less legitimate, while it is more productive of benefits, than the right of property in capital, or in the products of industry and capital; and it is known that capital and land are in many cases so intimately blended as to be inseparable. Therefore, if the right of bequest and inheritance be abolished in the one case, it must necessarily be abolished in the others also. In that event, all private property, upon the death of its respective owners, would become public property, subject to the guardianship of the State, where it would be either consumed by the hungry cormorants in office or distributed amongst the members of the community. At least this would be the best policy that could be adopted under the circumstances, since the only alternative presented would be the abandonment of property left without a legal owner, to indiscriminate and unrestrained plunder. But whatever might be the policy adopted, in substitution of the right to bequeath and inherit, it needs no argument to prove that property would vanish like dew before the sun. The social recognition and guaranty of that right is one of the indispensable supports of social wealth. Remove it, and the immense fabric will fall to the ground. Abolish the right to bequeath, and you take away the strongest incentive to the acquisition and preservation of wealth: you relax the springs of Industry by destroying its strong-

est motive of action, and by awakening the expectation of social contributions; and you sharpen the teeth of comsumption, and unchain its appetite, by completely unnerving its antagonist, economy. In a word, you first seal up the fountains of wealth, and then invite the speedy consumption of their existing products.

It is deemed unnecessary to say more in vindication of this section of the right of property in land. Its wisdom or utility, as evinced by its fruits, is second only to that of the other section of the same right; and its freedom from mischievous properties, as well as its conformity with the principle of political equality, may be inferred from the considerations advanced in reference to the right to acquire and hold landed property. It is believed to be entirely free from valid objections of any character whatever. But if the fact be otherwise, if the right to bequeath and inherit land is productive of injuries of any kind, they are too trifling to be perceived in presence of its rich and abounding advantages. Nevertheless, it has been found necessary in this instance, as it has in the establishment of most other legal rights, to confine its exercise within prescribed limits. Different states, in founding the right of bequest, have given to it different boundaries; but it is believed that all have either qualified or excluded primogeniture and entailment. In view of the proneness of richly endowed heirs to sacrifice their patrimonies at the shrine of luxury or of vice, wealthy testators have ever been desirous of adopting that expedient, as a means of securing to their posterity the full benefits of their bequests. This desire is natural, and even laudable; but society has deemed its unrestrained gratification incompatible with the public good. Governments have accordingly interposed restraints, and we are now to inquire whether they have been moved thereto by good and sufficient reasons.

By the terms primogeniture and entailment, I mean the bequest of landed estates to the eldest son and his heirs forever, which of course confers on each recipient nothing more than the right of use, or what is usually termed a life-estate. Bequests of this character, therefore, virtually destroy the right of property in land. The testator *loans* his estate, first to A during his lifetime, then to B for the same term, then to C, and so on in perpetuity; but the absolute right of property therein, dies when he dies, and is buried with him. Thus the dead are the owners, the living mere tenants. When viewed in this light, the act of simple entailment challenges the condemnation rather than the favor of society; and when we reflect that the impossibility of dividing and sub-dividing estates amongst all the descendants, compels this class of testators to combine the odious prerogative of primogeniture, which is a direct violation of the principle of equality, we cannot fail to perceive that the system is grossly iniquitous. How manifestly unjust, for example, for the land owners of one generation to ordain, and for the state to confirm the decree, that all landed property shall descend the tide of time in a few streams of a given volume, never to be divided, nor turned aside to irrigate and fertilize the toil of the coming millions; that however industrious, skilful and frugal the offshoots of those lines may be, they can never hope to participate in the revenue flowing from that which nature intended for the benefit of all. And how pernicious the social consequences of this policy, since its inevitable tendencies are, to foist on society a permanent landed aristocracy, to classify the community, to render the few permantly rich and powerful and the many hopeless poor and ignorant, and thus to augment the sum of human misery. For these

reasons, the laws of society should not only exclude primogeniture and entailment from the right of bequest, but they should prohibit their exercise. The true policy is, to maintain the right of property absolute in the living, by discountenancing every attempt on the part of individuals to impair it by the exercise of posthumous control over their estates.—Most nations have established the right of bequest with larger boundaries than here indicated. They have included, with less or more of limitations, the privileges of primogeniture and entailment; and the consequences, as exemplified in the existing condition of Great Britain, where the limitations are less stringent than in most other nations, are such as to stamp the policy as directly opposed to the dictates of justice, equality, and the public good. The United States, however, under the guidance of those singularly gifted and pure-minded men who laid the foundations of our government, have adopted the true policy, by so curtailing these privileges as to virtually exclude them from the right of bequest.

In conclusion, it may be remarked that if the views advanced in this chapter are sound, then our government machine, in its section devoted to the establishment and maintenance of the right of property in land, is all that can be desired. It needs no emendation; any attempt to render it more perfect would be very likely to increase its defects.—Under that system, proprietors of the soil acquire their rights therein, either by purchase in an open market, or by inheritance; and if by the latter, we find, by tracing backwards the lines of descent, that these lands were originally obtained by purchase also. Therefore, it may be said that no one can become the owner of land without giving an equivalent in exchange for it; and since the value given must have resulted either from the industry of the purchaser, or from the productive

employment of his pre-acquired capital or land, or partly from each of these sources, it follows that the land purchased is as rightfully his as the value produced by his own hands. The right therefore is legitimate; and we have seen that the method adopted by our government for conferring it on individuals, accords so perfectly with the principles of justice and political equality that no portion of the present or of future generations can with reason complain of it. The prices charged for our public lands are barely sufficient to cover the expenses incurred in furnishing perfect titles. Virtually, therefore, the government holds them in trust as the birthright, not only of such of our own citizens as may desire to occupy them, but of those who choose to come here from other countries as well; and, unless the existing policy be changed, they will remain a birthright to millions yet unborn. And when the period shall have arrived in which all the lands are appropriated and occupied, our exclusion of primogeniture and entailment from the right of bequest, will, by maintaining the alienability of the right of property in land, cause this right to still rest on the broad basis of equality, and thus effectually protect the landless from the injustice and the hopeless poverty entailed upon them wherever the opposite policy prevails.

Before closing this chapter, it may be well to notice a doctrine recently started, and now advocated with much zeal in certain quarters—namely: That the public lands should be sold to actual settlers only. The arguments advanced in favor of this limitation, appear to be based on the asssumption that the right of exclusive property in land is less valid, and its unconditional enforcement less just, than where the right appertains to artificial products. Land being a free gift of na-

ture, and evidently designed for the benefit of all, it is maintained that it is a violation of natural right to confer exclusive titles thereto, (even upon the payment of a fair consideration) on those who purchase with the design of withholding it for a season from productive employment, because society is thereby deprived of the benefits derivable from its service. This reasoning is plausible but fallacious. The premises are true, but it is hoped that arguments already adduced have sufficiently shown that they do not warrant the conclusion. Indeed, the present chapter, as well as the two which precede it, have been written to little purpose if they have failed to demonstrate the utter falsity of that conclusion.—There is, however, a more valid objection to the sale of public lands to others than actual settlers, which might be urged in favor of the proposed limitation. It is this: That most of that traffic is unproductive of value—in other words, pure gambling. When, for example, an individual buys government land, not with the intention of distribution, nor of immediate or prospective occupancy, but with the single purpose of holding it for a rise, it is clear that the transaction does not come within the legitimate limits of commerce or any other department of production, because no augmentation of real value ensues: what the individual gains, the government loses, or *vice versa*. In fact, it is a virtual wager between the two: the individual bets that the market value of the land will increase more rapidly than interest will accumulate on the purchase money, and the government bets that it will not. It is probable that much the larger portion of the sales which the proposed limitation is designed to suppress, are of this character. Another well founded objection to the existing system is, its tendencies to dispersion. Non-residents purchase lands, and

either withhold them from market or demand prices above the current rate, which often compels the actual settler to leave broad tracts of uncultivated lands in his rear, and, hermit-like, to choose his residence in the wilds of nature, remote from his fellow men. These are legitimate arguments in favor of the policy under consideration, and, although entitled to less weight than might be inferred from their simple statement, they would warrant the change proposed, but for the fact that other considerations of far weightier import forbid it.

That the evils just referred to are not of a serious kind, may be readily shown. Observation teaches that purely speculative purchases of the national domain, are mostly confined to periods in which the gambling propensity of man is, by expansions of the currency and other incentives, so strongly stimulated as to pervade every ramification of commerce; and that even those who enter into such speculations, in these seasons of general delusion, are very willing to abandon them without profit, the moment the intoxication passes off. The fact could not well be otherwise, for speculations of this character must, as a general rule, result unprofitably. We have seen that the market value of land can increase no faster than capital or population; we know that money, at the usual rate of interest, will double itself in ten years, and we know that it requires twenty-three years to double our prolific population, even with the aid of immigration. Hence, money at interest will more than quadruple in the time required for unemployed land to double its market value. It is to be noticed, however, that the population on our western borders, where the public lands speculated in are to be found, increases more rapidly than that of the Union at large. In some of the territories and newly admitted states, it has doubled

in even a shorter period than ten years. But it must be remembered that the value of capital is mainly reflected on the identical land with which it concurs productively—the weaker or less valuable rays only, reaching the uncultivated lands in its vicinity; and therefore, that lands held by forestallers, or non-residents, cannot increase in market value in a ratio equal to that with which the surrounding population and capital augments. It would probably be a liberal estimate to regard the mean expansion of the market value of such lands, as equal to the mean rate of increase of the population of the Union—say, three per cent. per annum. Thus it appears that observation, experience and theory, concur in proving the traffic unprofitable, and only entered into by a few mistaken votaries, except in seasons of commercial madness. Occasionally, it is true, some fortunate hit in the purchase of public lands, like that of the lucky numbers in a lottery, rewards the adventurer with a rich harvest of profits, but in both cases the odds are greatly against him. It may be said, therefore, that the social evils which the proposed limitation is calculated to suppress, are neither abounding nor aggravated.

Let us now glance at the considerations which forbid the change. In the first place, it may not be amiss to remark, that inasmuch as land is legitimate property—there being, as we have seen, no well grounded economic distinction between it and any other form of social wealth—it is evident that the reasons urged in favor of limiting its commercial freedom, may be applied with equal propriety and force to all other kinds of property. When a warehouse or dwelling changes owners, the purchaser is at liberty to choose what disposition he will make of it; he may either occupy it himself or let it to others, or he may appropriate it to idleness. A

proposition to deprive him of that freedom of choice, by restricting him to occupancy, would be justly regarded as an absurd and unwarrantable attempt to abridge individual rights; and yet this proposition is almost identical with the one we are considering, and which is now pressed upon our National Legislature with some prospects of its adoption. Again: The restriction asked for, would be a direct violation of the principles of justice and equality. The national domain belongs to the people at large; it is a vast undivided property in which each citizen has an equal interest, and to which no individual or class can rightfully present superior claims or preferences. Now, by attaching to sales, the condition of immediate occupancy, a large portion of the community would be virtually excluded both from the traffic in public lands, and from all direct benefits derivable from them, because many who possess the ability to purchase, and desire to do so, either as an investment or with the view of future occupancy, may be altogether unable to comply with this condition. They would thus be deprived of their relative rights, and excluded from a legitimate traffic, while both would be monopolized by those who happened to possess the ability to comply with the unjust condition, a large proportion of whom are foreigners. If the restriction could be made to exclude none others than speculators and forestallers, it would be well enough; but this is impracticable. Purchases for investment, or for future occupancy, are as proper as those made by actual settlers; and how is it possible to distinguish between these and purchases made in the spirit of gambling? In order to do so, it would be necessary for government to resort to the expedient of demanding from each purchaser a declaration of motives. This demand, at best offensive and unwarrantable, would be rendered

odious by the accustomed insolence of the subordinate agents of government. Freemen would not tolerate its enforcement, nor would the expedient be competent to attain the end in view, if submitted to. Motives are not easily ascertained; besides, they are often indefinite. An individual, for instance, may purchase government land without having determined whether he will re-sell it, or hold it as an investment or for future occupancy: his choice will be determined by future circumstances. And if he has formed a distinct purpose, and buys with a definite intention as to appropriation, he will not be over scrupulous in the means employed to conceal that intention from the government official. These considerations clearly warrant the assertion, that gambling in the national domain cannot be suppressed without excluding from the right of purchase those who desire to make legitimate investments therein; which exclusion, as we have just seen, would be violative of the rule of right, as well as of the principle of equality; and hence, would produce mischiefs of far greater magnitude than those which it would be competent to suppress. The proposed restriction should not therefore be adopted.

Chapter iv.

of the regulation of commerce; and of taxation.

Section 1.

General Remarks.

In blending the consideration of two governmental duties so distinct as those which form the title to this chapter, I may perhaps be charged with confusing my subject by an unnatural union of its separate parts. A moment's reflection, however, will convince the reader that the course I have chosen is rendered necessary by the prevailing policy of legislators in reference to commerce and taxation. That policy unites these two functions of government, and aims to compass the ends of both by means of a single law, or a single class of laws. That the regulation of commerce and taxation are, naturally, as distinct and dissimilar as any other two of the prerogatives of government, and that the practice of blending them in legislation is attended with mischievous consequences, I readily admit; but since almost every existing revenue law designedly conflicts with the natural laws of trade, and thus interferes with the operations of commerce, it becomes our duty to consider the two subjects together, in order to determine the qualities and test the wisdom of these double edged laws.

Commerce, as I have in a former chapter, is an expedient of extraordinary productiveness; it has greatly enlarged the volume of wealth and widened the circle of human enjoyments. But for the expedient of exchange, each individual or family would be compelled to labor with tools of its own construction, and confine its consumptions to the identical articles produced by the service of its own industry, capital and land. Consequently, in the absence of all forms and degrees of commerce, no one, however wealthy, could obtain, of consumable products, a *variety* equal to that now enjoyed by the day laborer, unless he understood and practiced almost every vocation in the whole catalogue of productive processes, from the simplest branch of agriculture, up to the highest department of art; and even then, he would be compelled to forego the use of agricultural products not adapted to his soil and climate. Commerce, by executing the interchange of commodities, has so completely removed these hindrances to production, that every variety of soil and climate, every degree of muscular strength and artistic skill, and every form of productive capital, may now be exclusively employed in whatever division or subdivision of production their respective qualifications best fit them for.

It may be well to remark that the term Commerce is here used in its widest signification, in which it includes all exchanges of property, of whatever kind or quantity. In proceeding to a closer examination of its properties, it will be well to divide it into two parts, namely, domestic and foreign, or internal and external. Convenience and custom both point to this division, and we shall find that it is demanded by a substantial difference in the attributes of the two sections.

Commerce, in the aggregate, performs two important

offices of utility: it increases and diversifies the products of industry and capital, in permitting the division of employments; and it augments the products of land, by allowing each division of the earth's surface to be exclusively appropriated to the growth of such useful plants as are best adapted to its soil and climate. The first of these offices is mainly performed by domestic or internal commerce. It enables the community to divide the field of production into seven grand departments—namely, agriculture, manufactures, commerce, the mechanic arts, navigation, the learned professions, and unskilled manual labor. These departments it also enables them to sub-divide to whatever extent convenience or profit dictate. That this extent is well nigh unlimited, is evidenced by the fact that it has been found expedient and profitable to divide the process of making a single pin, into not less than ten distinct mechanical arts.—By means of these divisions, every individual is enabled to devote himself exclusively to whatever occupation his natural endowments, his education, or his tastes, may indicate as most appropriate.

The other useful attribute of commerce is chiefly confined to its foreign or external section. It may be illustrated thus: In temperate latitudes, with appropriate soil, wheat, rye, oats, barley and potatoes, are produced with facility; within the tropics, sugar, coffee, cotton, rice and spices are produced with equal ease; but, with the aid of the utmost skill and labor, neither zone can be made to produce, in perfection and abundance, the spontaneous products of the other. For instance, in climates congenial to the growth of wheat, coffee must be grown in a conservatory, if at all, while in latitudes where coffee and spices are indeginous, wheat can only be grown in a refrigerator. The votaries of international

commerce, however, with suitable appliances and machinery—such, for example, as ships, steamboats, warehouses and money—stand ready to carry the surplus products of the temperate zones to the tropics, and, after effecting the exchange, to bring thence the surplus products of the latter. Now, it is manifest that after paying the merchant his fitting reward for this service, the producers of both latitudes are still gainers by the exchange,—that, with the same expenditure of productive service, they will more abundantly supply their wants by this method, than by attempting to produce for themselves things which nature and circumstances prohibit; for, if the fact were otherwise, self-interest would promptly interdict the traffic. Wants and desires are thus supplied, through the agency of foreign commerce, not only in greater abundance, but in largely increased variety. If any individual, either rich or poor, will take a survey of the articles he is in the habit of using or consuming daily, he will find that a large proportion of them would be altogether beyond his reach but for this arm of commerce. And if we include the advantages received from the other arm of commerce, in permitting the division of employments at home, we may safely say that the adoption of this expedient has so elevated the condition of mankind, that the enjoyments of the least favored portion of those who partake of its advantages, greatly surpass all that it would be possible for the most fortunate and gifted to procure without it.

Such being the noble benefits conferred by Commerce, it is eminently proper that government should aid its development, and facilitate its operations, so far as it can do so without injustice to other interests. It may rightfully do this, by establishing uniform standards of weights, measures, and money; by prescribing simple

and concise rules by which the parties exchanging products shall be governed; by establishing rules in relation to the receipt, transportation and delivery of goods; by enacting penal laws for the suppression of commercial frauds, and for the punishment of those who commit them; by establishing light-houses and preparing correct charts of the ocean; and by protecting external commerce from spoliation. These simple acts, as it appears to me, constitute about the whole duty of government touching this department of production. Within these limits, I regard the regulation of commerce as a legitimate prerogative of government, because, to this extent it is salutary, and may be exercised without injury to other interests. But legislators, like other men, delight in the exercise of authority; and unless restrained by public opinion or fundamental laws, they are prone to go beyond their appropriate sphere. This they have done in reference to commerce—especially its external section, to a most pernicious extent—in all ages and in all countries. Finding no constitutional restriction, or other limitation of their right to regulate commerce, their authority has run riot, and led to the adoption of commercial codes as absurd and mischievous as the most capricious tyranny could suggest. In apparent ignorance of the fact that the undisturbed action of the natural laws of trade never fails to direct commerce into the most productive channels, and to arrest it at the exact limits of profitable exchange, they have beset it with bounties, duties, restrictions, prohibitions and international treaties, to such a degree, that a large per-centage of its benefits are lost to mankind; for it is manifest, that every interference of this character tends, either to lessen the extent of commerce or to divert it from channels of greater productiveness to those of less.

Why is it that all governments persist in a policy so mistaken and absurd as that which wantonly trifles with commerce, and mars its utility by keeping manacles upon it? Is it feared that its freedom would produce a surfeit, by the abundance of its benefits? The apprehension is neither felt nor expressed. Is it supposed that commerce diminishes profits? There are none so ignorant as to entertain this belief. Then why, I ask again, mar its blessings by legal restrictions and prohibitions? The answer usually given by those who advocate this policy is, that governments are better qualified than individuals for judging correctly as to the direction and extent to which commerce may be carried with advantage to the community; and that restrictions on international commerce are called for by the necessity of countervailing the policy of other governments, as well as by the necessity of protecting home products and productive agents, from foreign competition. These appear to be the chief grounds on which the restrictive policy is based; for, upon examining the arguments advanced in its favor, it will be found that they generally resolve themselves into efforts to establish the truth of the foregoing propositions. The propositions are, nevertheless, unsound. They are based in error, not in truth, nor can all the arguments which it is possible to frame, invest them with that attribute. The restrictive policy is hurtful, not beneficial; it is productive of injuries, but not of blessings of any kind. It is the offspring of ignorance and fraud. Some of its advocates are prompted by erroneous views of the subject, others by the fraudulent design of using it as a means of promoting their own interest, or that of a class, at the expense of the whole. The truth of these assertions, it will be my effort to demonstrate in the progress of this chapter, and to show

also, that it is the true policy of each nation, regardless of the course pursued by all others, to leave its foreign, as well as its domestic commerce, entirely free from restraint or interferences of any kind, except those simple and salutary regulations already named.

§ Next as to taxation. No one will deny to government the right to assess and collect taxes sufficient to keep itself in motion. So long as human nature remains what it now is, so long civil governments will be useful in suppressing that which is evil in its social manifestations, and of developing that which is good; and so long as civil governments continue necessary or useful, so long it will be proper to invest them with this attribute of self-preservation; for, without the power of raising revenue, they could not exist for a single day. To this extent, then, taxation is clearly a legitimate prerogative of government. It is generally conceded also, that government should support the infirm, unfriended poor, and place within the reach of all classes a given amount of education; which offices, it could not perform in the absence of a corresponding power of taxation. These offices of government have not been well defined, nor do their practical illustrations conform to any uniform rules, or established maxims; but to whatever extent a nation may deem it wise to exercise them, they clearly carry with them their correlative, taxation. In fact, every authorized function or prescribed duty of government, carries with it the right of taxation, so far as revenue may be necessary to its efficient performance. Within these limits, the right is useful and its exercise necessary; but beyond them, taxation becomes an usurpation instead of a right.

In exercising this prerogative, legislators have diverged at least as widely from the true policy, as they have

in the regulation of commerce. Instead of confining themselves to the simple duty of first determining the actual amount of revenue required for the legitimate purposes of government, next assessing the taxes on property in the ratio of its market value, and then collecting them by the most direct, safe and economical method —they have commonly aimed to reach the pockets of the people by indirection, and to abstract a portion of their contents by stealth, regardless of the inequality and the wasteful extravagance perpetrated by that system. This is usually done by taxing, in various ways, consumable commodities. The most notable method of applying this species of taxation, and indeed about the only one adopted by the United States government, is by what are termed tariff laws,—that is, by levying duties on imports. This is the revenue edge of the laws by which commerce is "regulated," or rather, crippled; for it is thereby driven from its paths of greatest productiveness, and compelled to work out its ends limpingly in those of less. I shall aim, in the ensuing sections, to demonstrate the impolicy of this class of laws, whether regarded as a system of raising revenue, or as a means of so regulating international commerce as to countervail the policy of other nations and, at the same time, to protect home interests from foreign competition. I shall aim to show also, that the true and only just system of taxation is, to assess a uniform per-centage on the market value of all property, wherever found, and to enforce payment from its possessors, without stopping to inquire whether they are owners or merely temporary holders.

Beside the error of legislators as to the *method* of taxation, they not unfrequently raise revenue for improper purposes,—as, for example, when it is raised for the payment of bounties on particular products, or on ex-

ports; for the payment of undeserved pensions; for the propagation and support of specific religious doctrines and forms of worship; for re-distribution, &c. Taxes for all such purposes are illegitimate: their enforcement violates the principle of justice by compelling one class to pay tribute to another, to say nothing of the loss incurred in the collection and disbursement.

These general remarks will prepare us for a more detailed consideration of the prevailing policy of governments—especially that of our own—as connected with taxation and commerce;—a consideration demanded by the practical importance of the subject, as well as by the existence of conflicting theories in regard to it.

Section II.

Of tariff laws, considered as a means of raising revenue; and of direct taxation. The merits of the two methods compared.

In a former chapter, I have endeavored to point out the proper purposes, ends and aims of civil government. Whatever may be thought of the theory there advanced, all will admit that to establish justice between man and man, by protecting each and all in their rights of person and property, is not only a rightful prerogative of government, but one of the most important of the ends which it was instituted to secure. We may say, therefore, that the government which neglects this duty, or fails in its performance, is too weak or insufficient for the attainment of its most beneficit end. If it goes beyond this, and needlessly restrains the freedom of the citizen or subject, it is too despotic. But what shall we say of the

government which not only fails to establish *justice*, but designedly establishes *injustice*, by laws of its own enactment? What opprobious epithet will sufficiently express the infamous character of such laws? To say that such a government is a curse instead of a blessing, and that such laws are flagrant manifestations of usurped power, is but a mild expression of their true character. And yet it will appear, when we come to examine the protective feature of tariff laws, that they not only *do* legalize injustice, by compelling one class of citizens to pay tribute to another class, but that they are *purposely intended* to produce that effect. Nor is their revenue feature entirely free from the same weighty objection.

Government being instituted for the purpose of securing the right of property, as well as for the protection of the person, it is but just that property should bear a portion of its burthens. It should, as it seems to me, contribute the whole amount of taxes, because the person must bear the hazards of war, and is required to render, gratuitously, numerous services in support of government, —such, for instance, as military trainings, jury duty, and the various duties incident to the elective franchise; which last, if performed with intelligence and fidelity, consume much time and mental service. The person, in fact, gives all that it has to give, the requisite amount of physical and mental service; so capital should contribute that which it is alone capable of contributing, the necessary amount of pecuniary means. The tariff method of raising revenue, rudely violates this just basis of taxation, by predicating its assessments upon consumptions instead of capital.

That tariff laws and other indirect methods of taxation have been resorted to by most of the nations of Europe, is not surprising. Their governments are of the aristo-

cratic type—that is, the few rule and the many obey; and whenever this is the case, we must expect to see the selfish principle of human nature manifest itself in acts of injustice and tyranny. Accordingly, we find the governing class exacting from the governed, not only the chief portion of the taxes, but onerous contributions for their own peculiar benefit. They do this, not boldly and openly—for they fear the physical power of those whom they thus wrong—but by the stealthy methods referred to, in order to hide from their subjects the extent to which they are fleeced. And we republicans, who claim to be equals, all sovereigns as well as citizens, have followed their pernicious example; in doing which, we have been guilty of the folly of resorting to deception to wrong ourselves! We tamely submit to unnecessary and unequal taxes by indirection, which we would indignantly refuse to contribute if openly demanded of us. It would be an amusing scene, I fancy, to witness the tax gatherer, on his tour of collection, under such a change in our system as would require the payment of all our taxes, direct and indirect, open and covert, to be made in direct annual instalments,—the assessments meanwhile retaining their present unjust and unequal distribution. The amount we now pay, when brought in its annual aggregate thus distinctly to our senses, would be startling. To those of small incomes with large families, it would be absolutely astounding. They would be likely at first to consider the officer insincere in his demands, but finding him to persist, they would probably regard him as either a madman or robber, and treat him as such. And yet it would be quite as easy for them to pay their taxes in that shape as in the present.

I have made a rough estimate of the gross amount of taxes paid by the people of the United States—including

therein, the taxes paid to manufacturers in the shape of increased prices received for their goods in consequence of the protection afforded them by the duties charged upon imports, and those paid in the shape of losses on the bills of broken and discredited banks for the privilege of using paper money, as well as the legitimate taxes for town, county, state and national purposes—and I find that the annual aggregate will, by an estimate more likely to fall below than to exceed the actual amount paid, reach the prodigous sum of $310,000,000, or about $1,000,000 per day. Counting the number of taxable citizens at three millions, the average for each is $103 per annum, or 33 cents per day; so that if the taxes fell on industry alone, they would absorb at least one-third of its gross products. This statement is astounding, but nevertheless true. The subject demands investigation;—our present methods of raising revenue urgently require the pruning-knife of reform, to lop off the excrescencies which have swollen the mass of our takes to this frightful amount. As before remarked, the great error, if not the only one committed by our government in this respect is, in raising revenue from imports. Let us then proceed to point out the mischievous consequences of that policy.

In order to do this and at the same time demonstrate the superiority of direct taxation, we will examine the practical operation of each of these methods of raising revenue, and compare their merits when tested by the principles of equality and economy. Fortunately, we have good data to guide us in this investigation, since, while the general government practices the one method, some of the states practice the other. In the first place, let us see how they compare in point of economy.

We pay in custom dues an annual average
of, say.....$25,000,000

We pay to the importer, say 15 per cent. profit on this sum, for it is well known that the merchant predicates his profits upon the whole cost of his goods—upon the duties and charges, as well as upon the prime cost.....	3,750,000
We pay to the jobbing merchant, say 10 per cent. profit on these two sums.....	2,875,000
We pay to the retailer, say 25 per cent. profit on these three sums.....	7,906,250
	$39,531,250

We have here an aggregate of $39,531,250 of taxes, paid by the consumers of foreign goods, of which the government receives but $25,000,000; and from this sum must be deducted all the expenses incurred in its collection. These include, all the rent paid for the use of custom houses and government warehouses, together with interest on the cost of those owned by the government; the salaries of the collectors of customs, and of the army of subordinate officers; and the expenses incident to the marine revenue service. These, taken together, cannot be short of $2,500,000 per annum. This leaves the net receipts of government $22,500,000, which is but little more than half of the gross amount contributed; or, to state the matter more definitely, revenue is collected from the people, by the tariff method, at an expense of 77 per cent. on the net amount received by government. I have purposely excluded from this estimate, the immense tribute which these laws compel the consumers of protected domestic products to pay to their producers, because the contrast will be found striking enough without it; and for the additional reason, that this tribute will be the prominent subject of our next sec-

tion. But it may be well to state in this place, that the late Secretary of the Treasury, after an elaborate examination of the question, has estimated the amount of tribute thus paid, under the tariff of 1842, at not less than $100,000,000 annually.

We find, then, that the tariff system of taxation has not the merit of economy to recommend it. Now let us look at this aspect of its proposed substitute, direct taxation. A few years since, the State of New York, finding that she needed additional revenue, levied what was called "the Mill Tax;" that is, her citizens were required to contribute one mill of taxes for every dollar of capital or property that they possessed. This tax produced an aggregate of $600,000. The assessment and collection of this amount of revenue, cost the state a sum not exceeding $12,000, or two per cent on the amount collected, which is 75 per cent. cheaper than the tariff method. And there is no obstacle which need prevent the general government from adopting the same plan. It is perfectly feasible, and the transition easy. For example, the same officers who now assess and collect the township, county, and state taxes, in the several states, could assess and collect this also. It could be accomplished without the employment of a single additional officer, and at an expense not exceeding two per cent. In order to secure safety and economy, as well as an equitable distribution, the general government should apportion the tax among the several states, in the ratio of property, or what amounts to about the same thing, in the ratio of population, and require each state to furnish its quota. The states would, as they now do in the management of their own taxes, apportion it among their respective counties, requiring each to furnish its share; and the counties would apportion it

among the townships. Thus the federal government would look to the states, the states to the counties, the counties to the towns, and the towns to the people, which would give to the latter the right of choosing, through their respective township organizations, their own rules of assessment and their own collecting officers. When we consider how directly their personal interests would be involved in the matter, we cannot doubt that they would exercise this right with a single eye to economy and fairness. Nor would they fail, when thus directly called upon to furnish their quota of taxes, to scrutinize the purposes for which the taxes were asked, with the determination of putting their veto on such as they found to be unnecessary. In this way many of the existing abuses of the taxing power would be suppressed.

This system of applying the direct method of taxation, has been adopted by most of the states, counties and towns of the United States, and with the happiest results. It has proved to be not only just, and economical, but eminently secure, for we rarely hear of a defaulting officer except in large cities. Within these, occasional defalcations on the part of tax collectors take place, but they are clearly attributable to the unwise policy, which usually prevails in cities, of conferring these offices, as well as most others, on political partizans. In the appointment of custom house officers, applicants of the character just named seem to receive an invariable preference over all others. From the collectors down to the tide-waiters inclusive, we find them to be, with rare exceptions, political partizans of the least scrupulous kind. When we consider further that the people have no voice in their appointment, that the collectors of customs and their principal subordinates are all selected by the President of the United States, who can-

not be expected to have any personal knowledge of their charactersor their qualifications, we cannot be surprised at the number and magnitude of the defalcations which have occurred among them; since, from such materials thus chosen, we could expect no other result.

We find, then, that the direct method of taxation is vastly superior to the tariff form of the indirect method, not only in point of economy, but equally so as regards security in the processes of collection and transmission to the disbursing officers. According to the estimate just presented, the gross cost of collecting our national revenue by the existing method, exceeds $17,000,000 per annum, while that which would attend its collection by the method proposed, would fall short of $500,000, showing a difference in favor of the latter of $16,500,000 per annum. To this sum we may safely add $500,000 for the excess of losses by the former, making the whole difference in favor of the latter, in an economical point of view, not less than seventeen millions of dollars annually. This immense sum the people of the United States would save yearly, in diminished taxation, by the abandonment of tariff laws and the substitution of a judicious system of direct taxation.

Let us now examine the two methods in another of their aspects, and determine their relative merits when tested by another principle—the principle of justice.—Which is the most equitable as a rule of assessment? In other other words, which causes the distribution of the burdens of government to correspond most nearly with the distribution of its benefits?

I am entirely satisfied, for my own part, that the rule of assessment already indicated is the true and only just one; namely, that taxes should be assessed exclusively on property, and not at all on persons, except as

the representatives of the property which they respectively hold. But lest others should doubt the equity of this rule, I will take another position, the justice of which no one will dispute. It is this: that taxes should, at the least, so far correspond with the degree of wealth as to compel the rich to pay more than the poor. When we reflect that the protection of property is one of the most useful functions of government, and that the peformance of this function constitutes its most onerous duty, we cannot but admit the justice of requiring property to bear at least a portion of itsburdens. The only way in which it can be made to do so is by taxing it, through its different holders, at a rate which shall be uniform when compared with the amount or value of the property held by each respectively. According to our first rule of assessment, the distribution of taxes should be in the exact ratio of the distribution of property. But if it be considered right, in view of the fact that government protects persons as well as property, to compel persons to bear not only the whole of its physical and mental burdens, but a share of its pecuniary burdens also, then this portion should be assessed on persons, in the form of a *per capita* or poll tax, and the balance distributed in the ratio of the distribution of property. Under this rule, therefore, taxation would bear, not an exact but an approximate proportion to the amount of property held; which, it will be perceived, is in accordance with our second position, or formula of assessment, namely: the greater the wealth of the individual, the higher should be his taxes.

It will not be denied, I think, that one or the other of these rules is the correct one; nor will it be denied that direct taxation is the only practicable method of enforcing

either. *By* this method we may readily enforce whichever rule is deemed most politic and just, as is proved by the experience of our several states, some of which have adopted the first, others the second, and in no case has it been found difficult to enforce either. It must be acknowledged, however, that our state governments, in framing their rules of assessment, have generally committed one important error. Mistaking mortgages, notes of hand, and other *representations* of property for property itself, they have classed them as such, and required that they, as well as the property they represent, should be taxed; consequently, all property that is either incumbered, loaned, or in any manner held by others than its actual owners, is taxed double. This error is probably the joint effect of two causes. It must be attributed in part to a misconception of the nature of property, but mainly, I apprehend, to the desire of taxing the owners of property rather than its indebted possessors. The desire is laudable, but the expedient resorted to for securing its object is about as ineffectual as I have shown it to be unjust. Wealth which consists in the ownership of property held by others, or in claims of any kind against others, is easily hidden, and the knowledge of its possession in a great measure withheld from the agents of taxation, in consequence of which it has been found utterly impossible in practice, to tax it with any degree of uniformity. The more conscientious of its holders are compelled to pay on the full amount held, while the less scrupulous escape either a part or the whole. The true policy is to tax, in the ration of its market value, real property only (not its shadows or representations) and to enforce payment from its holders. By this simple rule, not only all property would be taxed, and taxed equally, but the taxes would be paid either directly or indir-

ectly by the actual owners. Where the owner held his property in possession he would of course pay the taxes directly; where he had let or loaned it to others, the lessees or borrowers would pay less for its use, by an amount equal to the taxes demanded of them, than they would do if the proprietor himself were required to pay the taxes; from which it will be seen that the latter would be compelled to pay them indirectly. Thus the owners of leased property, mortgages, notes of hand, book accounts, joint stock shares, and, in fact, every form of representative property (except public securities—these being ghosts of departed property rather than representations of that which really exists,) would be reached by the taxing power, through the indebted holders of property itself; so that the ultimate distribution of taxes, by the rule given, would correspond with the actual, not the apparent distribution of wealth.

This then is the perfect rule of assessment, and direct taxation the true method of enforcing it. Their joint results are precisely those which every honest legislator should aim at, because, in addition to their superior economy and safety, they distribute the burdens of government in exact proportion to the benefits conferred by it. This principle commends itself not less by its expediency than by its perfect equity; since it is at least as easy for the wealthy to contribute a given per-centage of their capital as it is for the poor to contribute a like per-centage of theirs. The rich may be less willing to part with it, and, as a general rule, are so, I believe; but it does not in truth inconvenience them so much.

Our tariff method of taxation entirely disregards this manifestly just principle,—substituting for it, as a rule of assessment, the amount of consumptions, which

compels us to pay, not in proportion to the benefits received, nor in the ratio of our means of payment, but according to the number of mouths we have to feed and bodies to clothe. The practical operation of this often is, to tax the poor higher than the rich; for it were easy to demonstrate, if the notoriety of the fact did not preclude the necessity, that there are large numbers of our population, whose only wealth consists of a numerous progeny entirely dependent upon their daily earnings for support, who contribute more to the revenue of the federal government than do an equal number which might be selected from the wealthiest class of our citizens. How manifestly unjust! He who has millions in property for the protection of which he looks to government, pays less towards the support of that government than does the pennyless day-laborer! He who is better able to contribute his thousands of dollars than the poor man is to contribute one, in reality pays less! Surely, a method of taxation which operates thus inequitably, which thus favors the rich and oppresses the poor, must be alike impolitic and unjust. I am aware that the attempt has often been made to obviate these objections by placing the highest duties upon luxuries, with the use of which the poor may dispense; but it has invariably failed in practice, because, while it placed them beyond the reach of the poor, it also deterred the rich from their use, and thus failed to produce the needful revenue. Besides, it is not republican thus to classify society, to degrade the poor by artificially raising the price of certain articles above their means of purchase: their unfortunate condition sufficiently circumscribes the circle of their enjoyments, without the aid of any such surreptitious deprivations on the part of their government. Our present tariff has not the poor merit of attempting this means of

compelling the rich to pay higher taxes than the poor, for its variations from a horizontal line of duties are graduated with an eye to revenue, and to enlarged protection to a few pet interests, rather than with the design of favoring the poor. And as relates to the tariff of 1842, it would seem to have been framed with the express design of oppressing the poor, since, by the contrivance called minimums, it taxed the coarser and cheaper fabrics, which the poor are constrained to use, much higher in proportion to their value than it did the more costly fabrics consumed by the rich.

The wasteful extravagance of this method of raising revenue, combined with the glaring injustice of its rule of assessment, would seem to be enough to insure its general condemnation and instant abandonment. If judged solely by its revenue merits, such would certainly be its fate; but it happens to be endowed with another attribute which, although equally mischievous, finds many interested friends. I of course refer to Protection.* This excites the cupidity of the favored classes, and leads them to ply with unwearied assiduity, every art and argument at their command calculated to mislead public opinion. Thus far they have partially succeeded. They have enveloped the subject in a cloud of sophistry so thick that the minds of a majority of the community have not yet been able to recognize the true character of protection. Many, however, have succeeded in looking directly through the deceptive mantle wherewith this policy has been clothed by its interested friends, and they have discovered that it has not the semblance of justice or wisdom about it;—that while it utterly fails to produce benefits it is fruitful of injuries;—that, instead of counterbalancing the evils incident to the revenue feature of tariff laws, it aggravates them by the infliction of

* Every one is permitted to join that

others of a still more hurtful kind, as will be shown in the ensuing section.

Another objection to the tariff method of raising revenue, is the uncertainty of its amount. It is ever fluctuating with the ebb and flow of commerce, giving in prosperous seasons much more of revenue than the government requires, which necessarily leads to extravagance and corruption; while in seasons of commercial depression the revenue yielded is unequal to the wants of government, which sends the latter into the market, a needy borrower, at a time when it is most difficult to effect loans. Direct taxation is free from these objections, since it would enable the government at all times to collect the precise amount of revenue required. Should objections be urged against this method on the ground that it would give the revenue, not in a continuous stream, as it should do to meet the ever recurring wants of government, but in annual instalments, it may be replied that this is not an unavoidable consequence. It may be obviated in various ways, one of which would be to have different periods of payment for the different states.

There is yet another objection of great weight to our tariff method of taxation. It is demoralizing. Experience has proved that executive patronage is a fruitful source of corruption. This method of taxation greatly enlarges that patronage, because it invests the President with authority to appoint all the revenue officers,—a power which the people would be careful to reserve to themselves under the direct method. It also leads to the commission of frauds on the revenue by means of smuggling, perjury, and other flagrant violations of law, all of which tend to lower our national standard of morality, and in an equal degree to diminish our capacity for self-government. The direct method,

if carried out in accordance with the plan and rules which I have indicated, would be altogether free from these vicious consequences.

We find then, as the general result of our examination and contrast, that direct taxation is, in every essential feature, vastly superior to our present method;—that the former accords with justice, economy, and all the other requirements of a sound policy, while the latter violates every principle on which legislation should be based. It must be owned, however, that notwithstanding the weighty objections to the one, and the economy and perfect fairness of the other, there are but few of our citizens who are desirous of making the proposed change. "Direct Taxation" is a phrase that grates harshly on the nerves of all. Men start at its sound as though it was potent in evil,—something which had once impressed them with deadly fear. They seem to regard it as deeply imbued with the spirit of tyranny, to say the least, if not as the most forbidding impersonation of that monster. So unpopular is this method of taxation, that an aspirant of public station or honors would as soon think of committing high treason as to propose or advocate it; and if his ambition were bounded by the present he would be right, for that could not more effectually destroy his present popularity. How this extreme hatred of a policy so clearly right, has succeeded in taking such deep root in the public mind, it is difficult to conceive; for our people are proverbial for their quickness to perceive and readiness to embrace whatever tends to promote their pecuniary interests. Perhaps the phenomenon may be accounted for in part by the fact that the unjust manner in which we were taxed by Great Britain, while yet her colonists, engendered in the public mind a deep seated hatred of

every form of taxation; and the direct being its most visible or sensible form, it has been mistaken for the worst. This impression was strengthened when the most unpopular of our Presidents (the elder Adams) recommended this policy, and when the opposing political party, seizing the occasion to profit by public prejudice, represented it as the worst form of tyranny. But a more prolific source of error on this subject, and one to which we may safely attribute the continuance of the prejudice against direct taxation, is to be found in the systematic efforts of those profiting by the tribute incident to tariff laws, to blind the public mind in reference to the true merits of the two opposing methods of taxation.

Happily, for the cause justice and sound policy, a purer light has at length dawned on this subject,—a light which is now reflected and shed abroad by numerous advocates of commercial freedom. I have no fears but the chemical ray, the ray of truth, will soon take root in the public mind, and engender a fermentation which will entirely divest it of protectionism and its kindred errors.

There are many other false methods of taxation—such as taxes on income, on production, on contracts, and on communication. These and others of like character, have long prevailed in Great Britain, and many of them in most of the other nations of Europe; but since no one of them has been adopted to any considerable extent in the United States, and since also, there can be but one true method, which I have already endeavored to point out, it appears to me quite useless to detain the reader with an attempted exposition of the objections to which those named above are respectively liable.

* If you make 18% in your business, why deny your neighbor 12%: but if you make 6% only then you are free

Section 2.

Of tariff laws, considered as a means of regulating commerce and production—with special reference to their internal consequences.

Having shown the impolicy of tariff laws, considered simply as expedients of taxation, it now remains to inquire whether their commercial attributes afford any compensating benefits.

In entering upon this investigation, it is necessary that we consider the commercial world as divided into national sections, and the commodities consumed by each nation as divided into two classes—namely: the one consisting of the commodities produced at home, the other of those imported from abroad. Tariff laws subject the latter to a tax from which the former are exempt. In doing this they confer on the home producer an advantage over his foreign competitor, which necessarily restrains external commerce, and developes the home production of commodities similar to those which, but for these laws, would be brought from abroad. It is conceded on all hands, that these are the natural and unavoidable consequences of the laws we are considering. In fact, the tariff or restrictive policy has been established with the avowed design of securing these ends. In the estimation of the advocates of that policy in the United States, the suppression of foreign commerce, and the stimulation of feebler interests at home, are among the most useful offices if not the most imperatice duties of government. With the view of making converts to their theory, or

perhaps with the design of impressing on the minds of others a conviction of their own sincerity, they have christened the policy "Protection to home Industry and home Products." The name is captivating, certainly, but we shall find it to be altogether deceptive.

Such being the nature of the commercial attribute of tariff laws, we will now proceed to consider it under the name conferred upon it by its friends, though when we come to understand its true character, we shall probably be inclined to give it a very different one.

There have been so many changes rung in favor of protection, so much of art and sophistry employed to hide its vicious consequences, and to magnify its pretended advantages, that many have been brought to regard it as the great panacea which is to cure all the evils of the body politic. There is so little of truth in these representations, and, in many cases, it is to be feared, so little of honest conviction in the minds of those who make them, that I feel eager to make an onset at their idol, and to contribute my mite towards stripping it of its disguises.

I will now proceed to analyze this boasted attribute of tariff laws; a task which is by no means difficult, because we shall find that in its most complex form, it consists of only two elemental parts—namely, Injustice and Folly; while, in many cases, one or the other of these is its only element.

Protection is simple, unmitigated injustice, when it is conferred on an interest which does not need its aid,—on one that would exist and return remunerating profits by virtue of its own unaided merits. Protection to such an interest is downright wrong. It robs Peter, not to *pay Paul*, but to *give to Jonathan*. To establish justice is one of the declared objects of our

government—it is so written in the first line of the preamble to our organic law; and the sentiment is worthy of standing as the fundamental maxim of all governments. This sort of protection shamelessly disregards that maxim: for, in granting it, the government in effect says to the consumers of the goods thus protected, 'my mandate is that you either forego the use of those commodities, or pay tribute to their producers, who, it is true, are already realizing profits equal to yours, but my will is that theirs be augmented and yours diminished.' If we ask for an explanation of the motives which prompt such wanton injustice, no better answer can be given than that revenue is the object, injustice the incident. This is the pretext, not the real motive, but if it were the latter it would afford no justification, because the objectionable incident may be readily avoided by changing the method of taxation.

I might here proceed to demonstrate that a large share of the protection afforded by all tariff laws, including our present revenue tariff as it is called, is of the character just pointed out—that is, sheer injustice; but it is unecessary, because it will be seen presently that the other element of protection is quite as bad—nay worse, for it is more enduring. The protection which gives to those who do not need its aid, although it has neither justice or wisdom about it, has one mitigatnig attribute: it is short lived. Home competition is its mortal enemy; it never fails to attack it, and sooner or later, perhaps after its recipients have fattened upon the tribute of a generation of consumers, is certain to kill it off. In fact, it not unfrequently happens that the two combatants are overtaken by the calamity which befel the Killkenny cats—they eat each other up; or what amounts to the same thing, the protection is annihilated by the

eagerness of those who compete for its bounties, while the over production consequent thereon compels the latter to disgorge the tribute which they had received, and with it their legitimate wealth.—The natural laws of trade are paramount to human enactments; and according to the theory advanced in the first division of this treatise, the oscillations of market prices, above and below the true value, must, in all cases, ultimately bring about this retributive justice—and they do; but their movements are sometimes so tardy as to permit the well laden recipients of tribute to retire with their plunder before restitution is demanded, so that the avenging blow, instead of falling upon them, strikes down the younger and less favored portion of their class. And this is the great evil of the species of protection under consideration, as I will now proceed to explain more fully.

We will suppose that the protection afforded to the cotton manufacturing interest of the United States, is of this character,—or in other words, that its profits would be remunerating without any protection. I do not mean to say that such is the fact, though I believe the assertion would be true;—I believe that a full and fair estimate of the relative advantages possessed by the American fabricant and his European competitor, would show that the former are at least equal to the latter, especially with respect to to the American markets. The point, however, is immaterial, since if the fact be otherwise, the protection afforded that interest is of a still more objectionable character. But it is necessary that we make the supposition in order to illustrate this principle of protection.

Our present tariff levies a duty of 25 per cent on all imported fabrics of cotton. This affords protection to the home producer from foreign competition to that

extent; and since there is not produced a sufficiency of American cotton goods to satisfy the demand of the home market, their prices must necessarily be enhanced to the full extent of the duties, because the foreign fabrics must still be imported to make good the deficiency, and after having paid the duty they must still be sold in competition with the domestic article. Where an actual competition exists in the sale of two commodities of like character, it is scarcely necessary to say that, in proportion to their respective qualities or values, their prices must be equivalent; otherwise, the one would sell, the other remain on hand.—According to our supposition, this degree of protection gives undue profits to that interest; these undue profits attract fresh votaries and additional capital, until the production exceeds the demand; then the price sinks below the remunerating point, which consequence, in its turn, drives a portion of the industry and capital from this into other pursuits, and so on. But the vibrations of value in a department of production like this, are very slow in their movements. The interest is large and unwieldy; its successful prosecution requires large combinations of capital with but few proprietors; it takes a long time to prepare the mills and machinery; the prevailing opinion that it would be unprofitable without protection from foreign competition, and the chance like uncertainty of the future policy of our government in this respect, render most capitalists exceedingly cautious in making investments in it; the long time required, even by those engaged in it, to ascertain whether its results are profitable or otherwise, and the still greater ignorance of others as to its true results:—These considerations, combined with the certainty of its disastrous issue in periods of excessive competition, have

retarded the naturally slow alternations of profits and losses in this ponderous interest; but they will ultimately occur in defiance of all obstacles. When needless protection is granted to a slow moving, unwieldy interest like this, its tardy vibrations ripen the injustice engendered by the grant, because it enables one generation of manufacturers to fatten upon the tribute of their cotemporary consumers, while the next generation of consumers grow rich upon the ruin of their cotemporary manufacturers. Thus the wrong is accomplished before the right interferes, the poison proves fatal before the antidote is applied.

This species of protection, therefore, notwithstanding its temporary character, metes out in practice about the same amount of injustice that would flow from permanent protection. They differ only in character, not in degree; the injustice of the former applying alternately to two classes, that of the latter always to one.

Let us next examine the other aspect of protection. When laws are made to foster an interest upon the development of which nature or circumstances have stampted a prohibition, the tribute required and thus given to support it, is, simply and wholly, an offering at the shrine of folly. While it impoverishes the contributor it does not enrich the receiver, but merely remunerates him for the productive service which he wastes by misdirection. It is lost—literally thrown away. It is an unjust and foolish tax, extorted from every consumer of the commodities thus produced; and each contributor might say of the recipient—and say it with no less truth than force—he

> "Robs me of that which not enriches him
> And makes me poor indeed."

We have but few protected interests wholly of this

stamp—possibly not one; for the authors of the protective policy have been careful to administer it in doses so large that it rarely fails to betray the features of its other parent—injustice. The sugar growing interest, however, approaches it very nearly, and I am inclined to believe that under the diminished protection of our present tariff, it will be found altogether of this character. Up to the year 1846, the cultivation of the sugar cane in the United States was protected by a duty of $2\frac{1}{2}$ cents per lb. charged on all imported sugars. The tariff of that year reduced the duty to 30 per cent. ad val. In the West Indies we can buv sugars, equal in quality to those produced in Louisiana, at $2\frac{1}{2}$ cents the lb., and this price is there remunerating, because the soil, the climate, and the skill of the cultivators, all harmonize in their adaptation to its production, Not so, however, in Louisiana. Adaptation of climate is there wanting, the plant being a tender exotic, the life and value of which are both destroyed by the first frosts of autumn, provided they occur before the plant matures, which often happens. In consequence of this it requires 4 or 5 cents per lb. to remunerate its producers. In other words, a given amount of land, capital and industry, in the West Indies, will produce 2 lbs. of sugar, while a like amount in Louisiana will produce little more than one lb. Therefore, nearly one half of the services of all the land, capital and industry, employed in that forced, hot-bed cultivation in the United States—a cultivation which flourishes, not by the genial warmth of the sun of Heaven, but by the artificial smiles and favors of a partial government, is unproductive, absolutely thrown away and lost, unless that interest is realizing undue profits. This, I think, is not the case to any considerable extent, if at all; for if we take a number of years together on which to base an

estimate, we will find that the sugar growers as a class have not been, even under a protection of 2½ cents per lb., much if any more prosperous than the cotton growers, nor has the market value of their lands, which are admirably adapted to the growth of cotton, ranged much higher than those employed in the cultivation of that plant. Consequently, the diminished protection afforded by the present tariff to the sugar interest, must leave the business barely remunerative.

If these are the true results of experience—and it is within my personal knowledge that they are nearly so; if these are the only fruits that the Louisiania sugar planters have gathered from their soil, when fertilized by a stream of tribute so enriching that it nearly doubles the market value of their crops, then they stamp protection to that interest with the character I have given it—an oblation to folly. For, in virtue of this protection, a large amount of land, capital and industry, have been directed into an employment so unnatural and so unproductive that their aggregate results are little more than half sufficient to support those engaged in it, the other portion being supplied from the surplus profits of other branches of production, in the shape of tribute from every consumer of sugar in the United States. The protection to this interest is not of the alternating kind, but permanent,—that is, it will last as long as the law which grants it, unless the production of sugar in the United States should exceed the consumption, which is not likely to occur; for we have scarcely enough of soil and climate adapted to the production of sugar (at best, imperfectly adapted) to yield the quantity required for home consumption, even if every acre of that soil should be simultaneously cultivated. This, it is believed, is the only productive interest of the United States, worthy

of notice, which is susceptible of permanent protection by taxing imports, because, as it respects all others, undue profits would altimately stimulate a production beyond our own wants, and thereby neutralize the protection. If, however, we have other existing interests, the development of which nature or circumstances had interdicted, but which by the aid of protection have been hatched out and sustained merely, without being made to grow fat, they belong to this class.

But where the degree of protection is greater than this; where we find these offspring of folly not only fed but clothed in golden garments, by means of the tribute they receive from other interests, it is proof that they belong to a third class, for they betray the features of injustice as well as of folly: they are compounds of the two elements of protection. The tribute received by this class is divided between the interests and the owners. The foolish portion being indispensable to the continued existence of the former, is swallowed up by it; the unjust portion passes into the hands of the latter. In illustration of this truth, let us assume that the sugar growing interest, under the tariff of 1842, belonged to this class. It then received a protection equal to 100 per cent. We will suppose that 50 per cent. would have sustained it, rendering its prosecution as profitable as the growing of cotton or any other agricultural pursuit. If this supposition be true, it follows that the tribute then received by that interest in virtue of the tariff, was equally divided between the recipients named above. Here then was a waste of one fourth of the productive means expended in the cultivation of sugar in the United States, which was paid for, or replaced, by one half of the tribute received from its consumers, leaving the other half of the tribute to be

added to the already remunerating profits of its producers. The one half was sacrificed at the shrine of folly, and passed into a nonenity, while the other half was transferred from its legitimate owners to legalized robbers.

The friends of this policy maintain that our protected interests are mainly of the second class, that the tribute exacted from consumers is nearly all thrown away. I think they are mistaken. A full knowledge of the condition of the different interests would probably show that nearly all of them belong either to the first class or to the third, and that those which belong to the latter partake much more of the nature of the first class than of the second,—in a word, that there is more of knavery than of folly in the system. It matters but little, however, to which class they belong, for they are all bad, though I consider the first less objectionable than either the second or the third. The first robs for the sake of the plunder; the second destroys from sheer wantonness or folly; the third destroys for the sake of picking up the fragments. I can see nothing to admire in either. They are all detestable; and when we reflect that the revenue attributes of tariff laws are of a similar character, we cannot doubt that every right minded citizen, when he comes to understand the subject fully, will raise his voice in favor of an entire abandonment of the restrictive policy.

The foregoing analysis of protection is no fancy sketch. Its repulsive features are neither magnified nor too highly colored, nor does it possess any redeeming qualities which have been overlooked or suppressed. Injustice and folly are the only fruits which it is capable of yielding. It is a hateful exotic, of transatlantic origin, which should never have been engrafted on our laws. It

is fertilized by the toil and tribute of every citizen, while folly and the favored few who are able to take shelter under its branches, are the only partakers of its fruit. How strange that such a principle should have taken root in a republic like this, where all laws are but the legalized expression of the public will. That it should find favor in Europe, where the few rule and the many obey, is not surprising, because in the hands of the governing class it is a potent engine to aid them in oppressing and robbing the governed. But that we should have blindly adopted it without discovering its antagonism to the spirit of our political institutions;—that we should have voluntarily fashioned with our own hands a legal wrong to rob ourselves, implies a delusion—or, to speak more plainly—manifests a degree of ignorance on this subject which it is really mortifying to contemplate. The masses of Europe are not chargeable with like folly. Their masters perpetrate the wrong, and their submission to it is a matter of necessity, from which there is no escape except by revolution. In illustration of this fact, let us briefly examine the practical operation of protection in Great Britain, and thus learn also, the motives which have prompted that government to pursue this policy.

Those who have the right of voting for or otherwise choosing their rulers, constitute the governing class in all nations. In the United States this right is enjoyed by nearly every adult male citizen. In Great Britain it is in a great measure confined to the proprietors of the soil, with many inequalities in the representation designed to strengthen the influence of this favored class. The result is, that, with the exception of a few representatives of cities and towns in the house of Commons, the government is made up of the representatives of the

landed interest. Consequently, the landed proprietors of Great Britain constitute the governing class, to which all other classes and interests of that nation are subservient. The men composing this class are not exempt from the frailties and vices of human nature. They love idleness and luxury, and they hate labor. They are no further mindful of justice than to wear its mantle; and finding that they have the power in their own hands, they so shape their policy that others are compelled to sow and reap while they enjoy the fruits. To do this openly might stagger the fealty of their semi-vassals; hence the adoption of the ingenious device of Protection. They first established laws of primogeniture and entailment, by which the landed estates and titles were handed down to the eldest sons of succeeding generations. This rendered the aristocratic class permanent, and protected it from accidental interlopers. They next gave a large bounty on the exportation of agricultural products; for at that period of the nation's growth, protection to the landed interest by duties upon imports would have been inoperative, because the productions of their soil exceeded the home consumptions. They were then *exporters* of agricultural products, not *importers*. Consequently, the bounty on exports answered the aim of the law-givers, for it enhanced the price of agricultural products consumed at home, to the full extent of the bounty paid on the few that were exported. They continued this system for a long time, probably until the tributary class saw through the disguise, and, perceiving its unjustice, became restive under it; or perhaps until the increased density of population compelled them to change the system. The government then, in casting about for some other method whereby it might better deceive the governed without

diminishing the amount of tribute extorted from them, discovered that the growth of the nation had reached a point where protection to the landed interest would be secured by taxing imports, the population having become so dense, and the manufacturing arts so far developed, that the productions of their own soil were no longer sufficient to supply the home demand. They then hit upon a plan which answered their purpose much better, and the injustice of which was so effectually disguised that other interests did not for a long time perceive it, but meekly 'kissed the rod that scourged them;' for, by the plan adopted, all interests were ostensibly put upon an equal footing, high duties being charged on all imports—on manufactured goods as well as on productions of the soil. But this sort of protection to British manufacturers, like the protection of our tariffs to American farmers, is a perfect mockery, because in both cases they are exporting interests, and consequently the home prices of their products are governed by the prices current in foreign markets. The fact was not, however, at first perceived by the tributary classes.

At the suggestion of Burke, to whom the British aristocracy were greatly indebted for the happy thought, they established the admirable "Sliding Scale" of duties on imported bread stuffs. By that incomparable contrivance, the landed interest government of Great Britain was enabled to secure to itself and to its constituents, tribute from the governed classes to the precise extent of their ability to pay. For example: If the prices of bread stuffs were low, the duty ran up to prohibition; and, since they did not produce enough for their own wants, the prices of the domestic article must have promptly ascended the same scale. When the latter got so high that starvation began to

pick off here and there a victim, the duty jumped suddenly down to the very bottom of the scale. Then foreign corn rushed in, which caused the price to descend also, and thereby stopped the inroads of starvation. Then the duty began to re-ascend the scale, with the price cautiously following after it, until again frightened down by starvation, and so on. The governing class thus gathered in from the governed all the tribute they could spare and yet survive: it robbed them of everything but their life-blood.

Such has been, until very recently, the protective policy of Great Britain. It was neither more nor less than a skilful expedient of the governing class, or the aristocracy, or the proprietors of the soil—the terms are synonymous—for exacting tribute clandestinely from the governed. The plan succeeded admirably. Unlike most of the similar attempts that have been made by the United States government, the protection to British land-owners proved equal to the rate of duties charged on imported agricultural products, and as permanent as the law which granted it. These results were inevitable, because the agricultural interest there was an importing, not an exporting, interest. The products of the British soil, stimulated and forced as they had been for a long period by this partial monopoly of the home market, were, nevertheless, unequal to the wants of their own population; and inasmuch as the quantity of land could not, like the quantity of capital or of industry, be enlarged by strengthening the demand, it follows that the deficiency had to be supplied by importations from abroad. These, after having paid the duty, had to be sold in competition with the products of the British soil; consequently, the market value of the latter, as well as that of the former, was enhanced to the full extent of the duty.

The protection thus afforded to the British landowners, together with the density of population in that kingdom, carried up the annual rent of lands, in England, to an average rate of not less than $20 per acre. The tenantry have been enabled to pay this prodigious rent, only by aid of the artificial price received for their crops, and by confining their own consumptions within the narrowest limits of absolute necessity. They have had no participation in the benefits conferred on the landed interest, but, on the contrary, have constituted one section of the tributary class. Their industry and capital, instead of being protected, have been exposed to the full force of a home competition rendered doubly intense by the tribute exacted from all capital and all industrial interests, to pamper these lords of the soil.

The restrictive policy of Great Britain, then, whether we look at the motives or the results, presents features altogether different from those of its namesake in the United States. There, the policy was established with the twofold object of deception and plunder; and such have been its results, because the political institutions of that nation, combined with a dense population, have favored the unrighteous design. Here, it has been conceived in ignorance prompted by injustice, and brought forth in folly.

The effects of this policy in Great Britain were so injurious to the masses that they could not be expected to remain passive under it any longer than they continued ignorant of its real consequences; and its disguises, although wrought with exceeding skill, and supported by specious arguments, were at length unraveled by scientific inquirers. Practical men of business and politicians next took up the subject, and arrayed themselves in opposition to the policy. They formed themselves into what they termed "the anti-corn-law league," with

the avowed determination of persisting in agitation and discussion until the last vestige of the policy should be expunged. They soon made proselytes enough to awaken the anxiety of government. The latter, ever watchful of the interests and safety of its class, early discerned the speck of danger; and knowing full well that the spirit and tendency of the protective policy could not bear the light of reason and free discussion, nor stand before the frowns of offended justice, it came forward promptly, and met the movement with concessions. It did this, if not before it was asked, at least much sooner than was expected; thus giving to a measure extorted from the fears of the aristocracy, the appearance of a cheerful and voluntary concession. By that slight modification of the corn-laws, the government hoped to break the strength of the league, and to arrest the agitation of the subject. Its expectations were not realized, however. The concession checked the movement, but did not stop it. After a slight pause it again broke out with an energy so intense that the government, deeming it imprudent to persist longer in a policy the injustice of which had become apparent to the meanest understanding, gave an unwilling assent to the entire repeal of its corn-laws. And the British aristocracy may consider themselves fortunate in getting rid of the matter so easily, for it generally happens that the ultimate fruits of an unjust policy are presented in bitterness to the lips of those who, for a time, enforced it to their own profit.

The British government still adheres to the tariff policy, as a means of raising a portion of its revenue and perhaps, also, in the vain hope of countervailing the commercial policy of other nations; but protection to pet interests at home no longer constitutes one of its features.

Section 3.

The same subject continued—with special reference to external or international consequences.

Thus far in my examination of the tariff policy of the United States, and of Great Britain, I have confined my attention to the direct consequences which each produces at home. I have shown that duties on imports affect injuriously the productiveness of the capital, industry and land of the community wherein they are exacted, besides wronging the many for the benefit of the few. It now remains to trace out their external or international consequences. If there are any useful properties about them, they must be found here.

As before remarked, the advocates of the restrictive policy maintain the necessity of commercial retaliation. In other words, they maintain that when one nation adopts the restrictive policy, it becomes necessary that all others should do the same thing, in order to countervail its effects on their commerce and industry. Why so? In what manner do the duties on imports, or the prohibitions established by one nation, affect the interests of others? The restrictionist replies—and it is the only plausible grounds of injury he can suggest—'that they either diminish or entirely cut off the market for the exports of other nations; that the market prices of these exports are thereby depressed, both at home and abroad; and hence, that their producers are, in effect, compelled to pay either a part or the whole of the duties.' If this be so,—if any portion of the duties charged by one

nation on its imports from others, is in truth paid, either directly or indirectly, by the foreign producers or owners, it establishes the necessity of countervailing laws; because it proves that the restrictive policy is an expedient by which one nation may unlock the coffers of all others, and rob them. Hence, all must turn robbers in self-defence, or prohibit international commerce altogether.

This opinion I will examine somewhat closely. It is widely entertained, and, if founded in truth, it demonstrates the necessity of tariff laws, notwithstanding the serious objections to which they are liable in other respects. If, on the contrary, the opinion is erroneous;—if, as I will endeavor to show, it has not a particle of reason or truth to support it, then we must conclude that the whole restrictive policy is a compound of evils, and that nothing but good could result from its abandonment. We must conclude also, that isolated, single-handed Free Trade is practicable,—that our government, or any other government, might safely abolish its tariff laws without regard to the course pursued by all other nations.

In order that my examination of the external effects of tariff laws may partake more of the practical than of the speculative, I will base my remarks on the operations of our existing tariff.—The first inquiry is, do we, in virtue of our tariff, purchase from their foreign producers or owners, the commodities constituting our imports, at cheaper rates than we could purchase them without it? In answering this question, I readily admit that the charging of duties lessens the amount of importations. This may not be an invariable consequence, but it is a legitimate one; because, in virtue of the protection afforded by these duties to such of our home interests as come into competition with imports, their

productiveness is stimulated and increased, while the gross amount of consumptions is diminished by the enhancement of prices. The principle therefore is sound, and I adopt it as such. This, then, is the general external attribute of our tariff, and it is the only one belonging to it that can have the remotest effect on prices in the foreign market. Will this disturb them? Will it depress them? To determine these questions it will be necessary to come down to particulars. We must take a single class of foreign commodities, or a single foreign interest, examine the bearing of our tariff upon it, then apply the natural laws of trade, and from these premises deduce the ulterior consequences.

First, then, let us examine the effect of our tariff on the price of sugars in the foreign market. It meets their importation into the United States with a high duty, say 30 per cent. It is not contended that we, in virtue of this duty, can go to the West Indies and buy sugars cheaper than those who purchase for free markets. Therefore, if our tariff depresses the price of sugar in any one market, it does so in all, and equally in all. If the doctrine of the restrictionists were true, it would prove that our tariff benefits all foreign consumers of sugar as much as it does our own, and that the consumers of sugar everywhere, owe lasting gratitude to Great Britain for having taxed its importation so enormously.—But let us return to the main question: Does our tariff depress the price of sugars in the foreign market? When first established, it must, by increasing the price in our markets, have diminished the consumption in the United States, and consequently the demand in the exporting markets. The diminished demand must, at first, have caused an over supply, and therefore a lower price in those markets. The reduction of price renders the business unprofita-

ble, which drives a portion of the capital and industry from the production of sugar into other parsuits. This, in its turn, lessens the supply, and thereby enhances the price, until it reaches a point nearly as far above the natural standard as the tariff had at first driven it below; then fresh capital and industry return to its production, and so on. Thus, every legal disturbance of prices, which does not partake of the nature of monopoly, may be likened to a blow which knocks the pendulum from its gravitating rest: both will vibrate, equally on either side of the centre, until they again find their natural position. We have only to admit that self-interest presides over and directs the employment of the productive forces, and there is no escape from this conclusion.

Again: We tax the woollen and cotton fabrics, imported from Great Britain, with a duty of 20 to 30 per cent. Other nations may admit them free, or upon the payment of a much lighter duty than we charge. We can buy them from the British manufacturers no cheaper than they. But, by reason of our tariff, we buy from them less of these articles, which diminishes the aggregate demand for them, and hence, it is contended, lowers their price. We will assume, for the purpose of illustration, that our tariff lessens by 25 per cent., our importations of these fabrics of Britain, and we will suppose that we still take the 25th part of the productions of her looms, which, by the way, is a large estimate. Our tariff then cuts off or destroys, one per cent. of the demand for cotton and woollen fabrics in the British market. If there should be no other disturbing cause operating on that market at the same time, it would be at first sensibly depressed even by this pebble; but it would be only for the moment.

The manufacturers would at once shorten the per diem time of running their machinery, this being their uniform method of meeting and counteracting every depression of the market; for they dare not, it would seem, lower the wages of the operatives for fear of producing riots and the destruction of their mills. The supply is thus diminished, the price enhanced, and the equilibrium ultimately restored. Therefore, what we gain by the first dip of prices below their natural level, we lose by their ensuing elevation above it. It is thus with every other class of imported commodities: we buy them no cheaper, on the average, in consequence of our tariff. This fact will be readily perceived, without farther illustration, by all who coincide with the views which I have advanced touching the laws of trade. There is then no virtue here.

But this does not entirely dispose of the question. We must go one step farther in the investigation, before we can determine the amount of foreign influence belonging to our tariff.—We have seen that the profits of production bear an inverse ratio to the amount of capital and industry, as compared with the quantity of land or natural wealth,—in other words, that profits are in the inverse ratio of the density of population. Consequently, every community or nation has a natural standard of profits peculiar to itself. These standards are established by the natural laws of trade, and graduated to a scale which indicates the density of population when estimated, not by the *quantity* of land, but by its productive capacity, as compounded of its extent, fertility, and other natural advantages. Where population is dense in comparison with the amount of natural wealth—as in Great Britain and most other European states—the standard of profits is low; where population is sparce and natural wealth abundant, as in the United States,

the standard of profits is high. The migration of capital and industry, from places where natural wealth is relatively scarce to others where it is more abundant, together with other natural causes, are slowly but surely approximating, to a common standard, the profits of production throughout the civilized world. At present however, they are known to be very diverse, ranging in the different nations from $2\frac{1}{2}$ per cent. per annum to 6 per cent. Now it is obvious that there are only two ways in which the various national standards of profit can have any influence on each other—namely: either by the migration of industry and capital from one nation to another, or by international commerce. That the first has such an influence, that it tends to equalize profits in the different nations, is sufficiently clear; but the question we have now to determine is, whether international commerce affects them, and if so, whether the effects of tariff laws, on international commerce, tends to increase or in any wise alter that influence? Or the question may be stated more distinctly, thus: does international commerce affect the profits of production—and if so, what is the bearing of tariff laws on profits abroad? The first clause of the inquiry must be answered in the affirmative, for the general reasons already adduced in evidence of the utility of this arm of commerce. Besides, it is known that there are some nations of Europe which could not support their present amount of population, without exchanging with other nations the products of art for those of the soil. Their profits are increased by exchanging things which they can produce cheaper than others for such things as others can produce cheaper than they. The desire of enlarging profits is in fact the mainspring of commerce, but for which desire it would not exist. The extent to which exchanges can be made

with profit, is the legitimate boundry of commerce: thus far and no farther it would be carried, but for the foolish restrictions that have been placed upon it.

In reference to the second division of the inquiry, it is to be remarked that tariff laws (or to return to the specific law under consideration,) our tariff in some degree diminishes international commerce. It prevents other nations from selling us as many of the things which they can produce cheaper than we, and from buying of us many of the things which we can produce cheaper than they, as they would do but for the hindrances which it interposes. It therefore slightly diminishes their profits. It does this by forcing from the beating track to wealth, a small portion of their productive forces, diverting them into new channels less adapted by nature and circumstances to their profitable employment; from which it will be perceived that their profits are diminished, *not by lowering the market price of their products, but by enhancing the cost.* Therefore, while they are injured we are not benefited, for we can buy their commodities no cheaper. The diversion of the productive forces, and consequent diminution of profits, resulting to other nations from the effects of our tariff, are so slight that they are neither seen nor felt after the oscillations produced by the first shock have subsided; and when compared with the diversion and consequent injury inflicted on our own productive interests, they shrink into nothingness almost. The law under consideration throws much of our industry and capital off the track, and thereby lessens in a large degree their productiveness, the loss of which is all our own, because we are not only owners but underwriters, inasmuch as we comsume the commodities produced thus in violation of the natural laws of trade.—There is then

no virtue here, unless the wasting *much* of our own productive energies for the sake of causing other nations to waste *a little* of theirs may be regarded as such, and I am unwilling to believe that the most ultra advocate of retaliatory tariffs would so consider it.

But there is yet another important question connected with this branch of our subject, and it is one the consideration of which I approach with diffidence,—not that I entertain any doubts as to what should be the character and import of a legitimate answer to it, but because its truth lies buried so deep that it is to be feared I do not possess the requisite skill to bring it to the light. Its nature and importance are shadowed forth in the questions so frequently asked: What should we do with all our agricultural products if we were to abandon the policy of protecting our manufactures? Where would we find markets sufficient to absorb the whole of them? How should we obtain the means of paying for our importations, which, under the Free Trade policy, would be so greatly augmented? These are important questions I admit, and such as require satisfactory answers. They are based on the assumption that our tariff enhances the prices of our agricultural products both at home and abroad; or, what amounts to the same thing, that its repeal would lessen those prices. They have nothing else to support them. If, therefore, the assumption be unsound,—if it can be demonstrated that it has neither reason nor truth to rest upon, and that, in point of fact, while the tariff fails to enhance the prices of our agricultural products, either at home or abroad, it actually increases their cost—then the questions will have received satisfactory answers, and the last and deepest foundation stone on which the whole restrictive policy has been made to rest, will have been removed.

Does our tariff enhance the prices, either at home or abroad, of that portion of our agricultural products destined or fitted for exportation? Let us examine this question carefully, and with all fairness. The duty charged on similar articles imported from abroad, is inoperative of course, since there is no importation of them except under an unnatural state of the market; nor would there be without the duty, because the agricultural is our paramount or exporting interest. This portion of our tariff is therefore a dead letter, a useless incumbrance on the statute-book, and was put there, doubtless, for the sole purpose of blinding our agriculturists to the rank injustice done them by other portions of the same law. I have already stated that the foreign demand governs the home market price of exportable commodities, and the remark applies not only to the portion actually exported, but to those consumed at home, as well. This, as a general principle of trade, is sufficiently familiar. Any one at all acquainted with the practical operations of commerce, knows that, as relates to this class of commodities, the foreign demand is the controlling one, and that the home market prices of the products of our soil (all, save sugar and wool of which we consume more than we produce) usually conform to their respective values in the foreign market. But we must remember that the power of demand (whether foreign or domestic) over prices, is not omnipotent. Under the existing circumstances of a market its control of prices will be absolute at any given moment; *over* those circumstances it has no control, for they are the offspring of that primary law of prices which is the joint effect of the desire of happiness and the desire of gain, and of which supply and demand are but secondary agencies. For example: whenever the de-

mand, operating on the existing circumstances of a market, brings the current price of a given commodity either above or below its true value, self-interest, whose slightest promptings are always obeyed, at once issues her mandate that the circumstances be so changed as to send back the price to its point of equilibrium, the true value. In this process the desire of happiness, acting on the supply, also concurs; all of which has been sufficiently illustrated in a former chapter.

We find then that the only permanent influence which our tariff can possibly have on the prices of products of our soil, must be in affecting either their foreign market value or the cost of their production, or rather, their remunerating price at home. Let us first trace out its influence on their value in the foreign market.

It is alledged that, but for the protection to our manufactures, the productions of our soil would be much greater than at present, and their home consumption much less; and hence, that the repeal of the tariff would throw them on the foreign markets in quantities so largely increased that their price in those markets must necessarily be much depressed. It is believed that the sinister motives of some, and the excited imaginations of others, have greatly magnified this apprehended effect; but I admit the soundness of the priciple, and will therefore suppose that in case our tariff should be suddenly and totally abolished, which, by the way, no prudent statesman would ever propose, the first effect on the prices of our agricultural products abroad, would be a depression. It would not disable foreign consumers from paying the same price for them that they had paid previously—on the contrary, their ability to purchase them would be slightly increased in consequence of our enlarged purchases from them,—but it would cause the

supply to exceed the demand, and thus throw a surplus on the market. The immediate consequence would be, a settling of the price of agricultural products below their true value; then a reaction, brought about in the manner and by the influences so frequently pointed out, would ensue; and finally, after a series of oscillations, the price would return to the point from which it was first driven; for proof of which, the reader is referred to the chapter on the laws of trade. It appears, therefore, that tariff laws do not permanently affect the price of exports in the foreign market. Consequently, the only way in which the tariff under consideration can possibly benefit our agriculturists, is in its effects on the remunerating price of their products at home—in other words, by diminishing the cost of those products. This last hidden refuge of the pretented benefits of the tariff policy, we will now explore.

Let me first repeat that every nation has a standard of profits peculiar to itself. The remunerating price of every class and variety of valuable products, is made up of the cost of production added to the standard rate of profit in that community in which they are produced. Thus, for instance, the net profits of production in the United States, as indicated by the interest of money, (less the risk of loss, and taxes) is about 6 per cent. per annum. Around this national standard the profits of all interests, and of all departments of production, centre; and in order that they may do so, it is manifestly necessary that the remunerating price of all classes of commodities must conform to a corresponding standard. In Great Britain the national standard of profits is about 2½ per cent. per annum; around which standard, all the productive interests of that nation centre. And it is thus with all other nations. Now, if any given na-

tion pass a law which exacts tribute from one interest for the benefit of another, it will at first depress the profits of the one and elevate those of the other, equally, below and above this common standard, without disturbing the standard itself; and the laws of trade, provided no natural obstacles intervene, will, through the agency of home competition, ultimately bring the profits of both interests back to it. But a law which exacts tribute from one or more interests, merely to bring another into existance, will depress the profits of the former below the standard without elevating those of the latter above it; and inasmuch as the laws of trade will bring about an ultimate reunion of the depressed interests with the standard of profits, and there being in this case no elevated interest to aid in its accomplishment, it follows that the depressed interests will have to be raised by lowering the national standard of profits. Such, in the opinion of its friends, is the character of our tariff; for they maintain that it confers on the manufacturer no more than remunerating profits, notwithstanding the oppressive tribute it extorts, for his benefit, from the agricultural and other interests,—indeed, they affirm that his profits are below the average, or national standard. The tribute, then, goes to pay for productive services wasted by misdirection. The tariff must therefore lessen, to the extent of the tribute, ($100,000,000 annually) the aggregate profits of production in the United States; which, if we estimate that aggregate at $2,000,000,000 annually, shows a consequent depression of the national standard of profits, equal to 5 per cent., or $\frac{1}{20}$ of the whole. And since the laws of trade ultimately bring all interests of a given nation to share alike in their degree of profit, it follows that the profits of our agriculture are diminished by the tariff; and that this is effected, not by lowering

the price of its products, but by increasing their cost. The standard price is neither elevated nor depressed; there is more of cost and less of profit in its elementary parts, but the sum of the two remains the same. There is then no virtue here, but on the contrary much mischief; for while the tariff utterly fails to elevate the price of exportable commodities, it greatly increases their cost, and in an equal degree diminishes the profits of their producers.

If, however, the friends of this policy are mistaken as to its effects on the protected interests; if the tribute which it awards to the latter, instead of merely elevating their profits to a level with those of other interests, does in truth carry them much higher, then the ultimate consequences will be somewhat different from those just pointed out. In that case, the foolish portion of the tribute—the portion which goes to pay for productive services wasted by misdirection—will, to that extent, lower the national standard of profits, by transforming profits into cost; but the unjust portion—that which goes to fill the pockets of the protected class with undue profits—while it at first elevates the profits of the protected class above the national standard, and in the same degree depresses those of the exporting or tributary class below it, will be ultimately neutralized and rendered of no effect by the force of home competition.

I might here dismiss the topics embraced in the subject of this section, and pass to the consideration of others; for I trust enough has been said to demonstrate the impolicy of tariff laws, whether regarded as a method of raising revenue, a means of fostering illegitimate home interests, or as an expedient of protection from the aggressive policy of foreign nations. The practical importance of the subject, however, induces me to ask

the reader's attention while I attempt to illustrate one point, more fully than has yet been done.

We found that the only external influence of tariff laws is, to injure other nations: and I remarked at the time that even this is scarcely appreciable. I will now endeavor to prove the correctness of that remark.

I will take a strong case, the strongest which the whole tariff policy has presented—the late corn laws of Great Britain—and inquire how, and in what degree, they injured our growers of wheat. These laws sensibly diminished the consumption of flour in that nation. They did this by a twofold influence: they enhanced its price, and at the same time took from the masses a portion of their means of purchase; thus giving them, as it were, a sort of locked-jaw, which prevented the admission of wheaten bread except in homeopathic doses. They were therefore compelled to substitute some cheaper materials, say oatmeal and potatoes.

As before remarked, these laws enhanced the prices in the British market, of both domestic and foreign flour; of the domestic, because they produce less than they consume; of the foreign, because they could not purchase it without paying, over and above the duty charged, as much as it would command in any free market.

But the existence of these laws lessened the aggregate consumption of wheat in the commercial world, say one per cent., or ten per cent., for it does not matter which. This lessened the aggregate demand for that product, and consequently, at first depressed its market price, which drove a portion of the industry, capital and land into other employments—say into the culture of potatoes and oats, for which there was an improved demand. This, in its turn, diminished the supply of wheat, and

enhanced its market price; but after a few lessening vibrations, of equal extent on either side, the market price must have returned to the standard of true value. Did these laws lower that standard? I have shown in another place, that such cannot be the effect of tariff laws. But they slightly changed the proportion of its elements; they enlarged the cost portion of the value of wheat and lessened its profit element, by which means they injured our growers of that product. And how did the British corn-laws produce this effect? I answer, by slightly diminishing our vent for wheat. I say slightly, because it must be remembered that the gross diminution of demand, caused by these laws, was diffused throughout the wheat markets of the world; whence it is evident that our share must have been almost inappreciable. By this contraction of the wheat market, a fraction of the industry, capital and land of the United States, was driven from the culture of that plant into employments for which they were not quite so well adapted. Our remaining wheat growers were thereby compelled to pay a trifle more for their necessary supplies, which, to that extent, increased the cost and diminished the profits of their vocation. The degree of injury was inconceivably small. Its gross annual amount was probably less than the one hundredth part of that which our own tariff inflicts on them in the same length of time; for the only way in which these corn laws did, or possibly could, affect injuriously the interests of other nations, was by misdirecting their productive energies; and that could only be to the extent to which they diminished their commerce with Great Britain. Besides, the misdirection which they caused was so slight in degree that it failed to produce serious mischiefs. They forced a part of our commerce with Great Britain, and a part

of our wheat growing interest, off the natural and most direct paths to wealth, but they left them perfectly free to choose the next best roads; and in a country like this, where the elements of wealth in an undeveloped form so greatly abound, there are so many good ones that it is difficult to determine which is really the best. With regard to our own tariff laws the case is widely different. They entice a part of our productive agencies into paths of natural unproductiveness, by scattering on their way-sides golden tribute from other interests.

The internal fruits of the British corn laws, were, likewise, infinitely worse than their external consequences. It has been shown that they enriched the landed interest by stealthily abstracting the profits of all other producers of that nation, and that in doing so they but accomplished their iniquitous design; in addition to which, they wasted much of the fruits of British industry and capital, by strewing artificial profits around the cultivation of the barren heath and the naked rock, while the productions of the fertile soils of the earth stood knocking at her doors, in vain demanding entrance. The consequent loss of productive service was all borne by her own people, because they consumed the things thus expensively produced.

These laws also greatly diminished the foreign commerce of Great Britain. They lessened her's as much as they did that of all other nations combined. They compelled each of all other nations to trade a little less with her; but while the diminution to each was trifling in amount, by reason of its distribution, the gross sum, which had to be borne by Great Britain alone, on one side, was necessarily large; and while they only drove that of other nations into the next best channels, they absolutely destroyed her own share of the diminution.

And, finally, while the injurious effects of the British corn-laws fell with such withering force on her own interests, and so lightly as to be scarcely preceptible on ours, on her's they were permanently confined to one portion of her people, while on ours, they were equally distributed through all classes and all productive interests.

What I have said in illustration of the very slight degree of injury inflicted by the corn-laws of Great Britain on the prosperity of foreign states, will apply with equal and even greater force to the international consequences of all other tariffs; for this is the strongest case on record. The truth is, the injury is so small that it is of no practical importance; and but for the desire of demonstrating that fact, as well as for the sake of scientific exactness, I should not have deemed it worthy of a moment's notice.

In view of all the considerations now advanced, we cannot, as it appears to me, avoid the general inference that all tariff laws are unmitigated evils: the premises admit of no other conclusion. Their tendencies are all bad, and may be recapitulated thus:

As a method of raising revenue they are: First, oppressively expensive; costing in the collection, as evidenced by our own tariff, 75 per cent. more than the direct method of taxation: Secondly, they are inequitable as a rule of assessment, since they distribute the burdens of taxation, not in proportion to the benefits conferred by government, nor the ability to pay, but according to the amount of consumptions. These necessarily correspond in some degree with the relative numbers of which the families of the tax payers respectively consist; consequently, by this rule the poor are often compelled to pay higher taxes than the rich.

As a means of fostering pet interests at home, they

are unjust, and for other reasons unwise. Their injustice consists in extorting tribute from one class of the community, for the benefit of another class which does not need their aid; their folly, in placing hindrances on the most direct roads to wealth, and in strewing artificial profits on paths which naturally lead to poverty, thereby enticing a part of the productive energies of the nation from channels of greater productiveness to those of less.

As a means of countervailing the restrictive policy of foreign states, they are worse than ineffectual; for while they utterly fail to ward off the slight external injuries incident to that policy, they inflict on the nation adopting them other injuries of a far more serious kind—injuries, in comparison with which, the former are as nothing.

Such I believe to be a fair presentation of the character and consequences of the tariff policy. If it possesses a single beneficient attribute, or yields a single benefit, in mitigation of its manifold evils, they have escaped my search. It is maintained by some, that this policy is essential to national independence; that it secures the home production of the munitions of war and other materials of defence, without which a nation would be liable to foreign subjugation.—The only answer which this position requires is, that where the natural laws of trade fail to develope the means of national defence, to the extent which safety may require, it is the duty of government to do it itself. For instance, if the deficient material be amunition, the government should manufacture it; if ships of war, it should build them, and so on. It is a part of the duty of government to provide for the national defence, but it may do so in a direct and sensible way, without resorting to an expedient so unjust and impolitic as tariff laws.

The objections urged against the class of laws we have been considering, will, with one exception, apply with equal force to every legislative restraint upon commerce, and to every governmental interference with the natural laws of trade and production; for the class we have been considering is a correct type of the whole restrictive policy.

The exception referred to is the class of laws which relate to the navigating interest. These are sometimes confounded with tariff laws, from which, however, they are entirely distinct. Navigation is a productive interest, and a very important one, since, in addition to its utility as one of the processes of commerce, it fashions materials for the most efficient arm of national defence. When employed in foreign commerce it has one peculiarity which distinguishes it from every other interest—namely: the voyage cannot be accomplished, the productive process cannot be completed, nor made to yield fruits, without entering the territory or going within the jurisdiction of foreign states. To do this it is of course necessary that nations should have each others assent, and also, that the conditions and terms of the assent should, in all cases, conform to the rule of reciprocity; since the navigation of a state which failed to insist on its rights under that rule, would, by discriminations against it, be soon driven within the narrow limits of its internal or domestic commerce. This is the only case in which it is necessary that one state should require of others that the terms of intercourse be reciprocal; and it will be perceived that the reciprocity does not relate to commerce or any other branch of production as such, but merely to the privilege of entering each others ports for the purpose of consummating a peculiar operation of production. Every other productive pro-

cess can be finished at home, or on waters common to all nations, and hence do not need the assent of other nations.

SECTION 4.

Of free trade and direct taxation.

In prefacing this chapter with some general observations indicative of its scope and purpose, I remarked, in substance, that it was chiefly designed to demonstrate the truth of the following proposition, namely: That Free Trade—absolute, unconditional Free Trade, and Direct Taxation, is the true policy of all nations, and of each nation regardless of the course pursued by all others.

It is hoped that the end proposed is already attained; for, although we have been thus far exclusively engaged in considering the effects produced by commercial restrictions and indirect taxation, yet, if I have succeeded in demonstrating their injustice and folly, I have also shown the wisdom of free trade and direct taxation, since, as the terms import, the one policy is the opposite of the other: every objection which has been urged against the former will apply with equal force in favor of the latter. I shall not, therefore, tax the patience of the reader, by turning over the arguments contained in the preceding sections, so as to present their positive face instead of their negative: the reader will find no difficulty in shifting their application himself. But since it is the object of this treatise to indicate the true policy of government in reference to the produc-

tion, distribution and consumption of wealth, as well as to point out the errors of existing economic legislation, systematic completeness seems to require that I should present in this place, at least a synopsis of the principal arguments which may be fairly advanced in favor of commercial freedom. Arguments illustrative of the wisdom of direct taxation, have already been presented with sufficient directness, and, perhaps, with unnecessary fullness.

If all men were left free to apply their productive agents to such processes as they are respectively best fitted for by nature, circumstances, habit and inclination—subject to no other modifications or restraints than those imposed by the desire of gain—the aggregate results would be greater than when a portion of them are forced into channels for which they are unsuitable. This is self-evident. All commercial restrictions, whether designed for revenue or protection, thus divert the natural currents of industry, capital, and the productive service of land. For an illustration of this truth, witness the cultivation of the beet-root in France, and the sugar-cane in Louisiana. The universal adoption of the free trade policy would of course prevent the whole of this loss; and the isolated, single-handed adoption of that policy by any one nation, would, as we have seen, screen the citizens thereof from at least ninety-nine hundredths of their share of the loss. Therefore, under the benign influence of this policy, mankind would be able to supply their physical wants in less time, or by the expenditure of a smaller quantity of productive service, than is now required; which would leave a larger share of life to be devoted to mental wants, to intellectual culture, to the improvement of the spiritual man. When it is remembered that these are the only attributes which distinguish

us from the brutes that perish, how obvious is the wisdom of that policy which promotes so beneficent an end. True, another tendency of high profits, or enlarged production, is, to increase the amount of population; but, that this is not the only one, that they also tend to promote the mental or spiritual elevation just noticed, is abundantly proved by history as well as by the present condition of the different nations, and especially by the relative superiority, in intellectual developement, of the civilized section of the human family when compared with the savage. By some, this comparison may not be regarded as a fair one; but if, as I endeavored to show in a former chapter, social wealth was the primary cause of civilization, the comparison is perfectly legitimate.

It seems to me that the foregoing considerations should be sufficient, of themselves, to bring every right thinking man to support the free trade policy. But there is another consideration, which, to my mind, is still more conclusive in its favor—namely: it is the only just policy. While the restrictive policy constantly violates the relative rights of the citizens or subjects, by robbing some and enriching others, and, by repeated modifications, perpetuates the injustice, free trade leaves all to place reliance on their own merits alone, and secures to every individual the just rewards of his productive efforts and enterprises.

In a word, free trade permits the all-wise, benevolent and just laws, which the Creator has established to govern the production and distribution of wealth, to move on in uninterrupted harmony to the accomplishment of their appropriate ends. Therefore, this policy is as strongly marked by wisdom and justice as its opposite is by folly and wrong.

If practical illustrations of the benefits conferred by this policy be asked for, I might point to the evidences afforded by the highly profitable and extensive commerce carried on between the different states of this Union. Or, if it be denied that this commerce, from which foreigners are in a measure excluded, can fairly illustrate the practical effects of free trade, I might refer to Switzerland. That nation long since adopted this policy in its fullest and broadest extent, and she adopted it alone. Situate in the centre of Europe, surrounded by powerful nations which refused to reciprocate, she had the boldness and the wisdom to throw her gates open to the free ingress of the commodities of the world. The practical results of her experiment have been, so far as I am informed, altogether favorable to the theory of commercial freedom. From personal observation, I can bear testimony to the appearance of general prosperity and comfort witnessed every where within her borders, surpassing in these respects the adjoining provinces of other nations. Nor are the mass of the Swiss people insensible of the benefits which they derive from this policy, as was proved by an occurrence which took place there a few years since. Some manufacturers in one of the eastern cantons, feeling the weight of competition from similar fabrics produced in Alsace, a neighboring province of France, petitioned the General Diet to grant them protection. The petition was respectfully received and considered, but the boon it asked for was denied, promptly and almost unanimously; and the action of the representatives of the cantons met the approbation of the people.

Unfortunately, the practices of nations afford no further direct evidences on this subject, as Switzerland is, I believe, the only political community of any note

whose practice conforms to our theory. At all events, she is the only free trade nation with whose condition and laws I am sufficiently familiar to speak with confidence. The experimental light which her example affords is in perfect harmony with our theoretic conclusions. It therefore verifies the proposition which stands at the head of this section.

It now only remains to point out the proper method of applying this theory. It is maintained by some, that however injurious the existing policy, and however beneficial the one proposed, the evils incident to the transition would outweigh the benefits to be secured, and hence, that the change should not be made. This is a very great error. True, the change would depress such interests as had grown up under the hot-bed influence of protection; it would at first diminish their profits and ultimately banish them to more congenial localities, just as the invention of the power-loom first injured hand-loom weavers and ultimately drove most of them into other employments. And so of all other improvements in the science and arts of production: while they are the stepping stones which Providence designed to aid us in the attainment of a higher civilization, by increasing the aggregate means of enjoyment and comfort, the human family never, in its progress, took a step in advance which did not injure some of its members. But this is no sufficient objection to the adoption of free trade, or any other improvement. The greatest good of the greatest number, is the true doctrine. Besides, the interests which would be prejudiced by the change proposed, are but the offspring of injustice and folly;—they were born of that double parentage, and have been reared at the expense of other interests, so that it is but fair that they should be made to disgorge. I would not,

however, recommend the sudden, as well as the total abandonment of the restrictive policy. I hold it to be unjust, and for other reasons unwise, to make sudden and great changes in laws which affect the pecuniary interests of the citizen. When public good demands the change, it should be the work of time, and brought about by gentle gradations like those of the Compromise Act, or tariff of 1833.

If our government should make the transition by means of a law which removed one tenth of the present duties annually, for ten consecutive years, the evils incident thereto would be in a great measure avoided. All protected interests that should prove to be congenial to the soil and climate of our country, and adapted to the genius of our people, would glide imperceptibly into the new order of things, and flourish under profits less exorbitant perhaps, but more just, as well as more uniform and secure. Those not possessing these requisites would be abandoned for more profitable employments. In fact, illegitimate interests—those interests which thrive only in virtue of the tribute they receive—would be rooted out by free trade with that discriminating judgment and completeness with which a skilful gardener removes the weeds from his beds.

Chapter V.

OF MONEY.

Section 1.

Of Coin.

In the first section of the chapter on the natural laws of trade, I have pointed out the nature and uses of money, and have said perhaps all that is necessary in relation to money in the peculiar form of coin. But since the problems connected with the subject are alike intricate and important, I prefer passing hastily over that ground again, in order to preserve the unity of the subject, as well as the requisite connection in the chain of reasoning by which I hope to unfold its truths.

Money is an instrument of commerce, designed to facilitate the exchange of all other commodities by presenting an equivalent in a portable and convenient shape. A ship carries values from one market to another; money measures and transfers them from one owner to another: this is its only office. It is one of those machines which the ingenuity of man has contrived for facilitating the production of wealth. But for its invention, commerce would have to accomplish its exchanges by the awkward and expensive process of barter. It is, therefore, strictly speaking, a labor-saving machine, and I may add that it is also a power-increasing

machine, since it would be impossible, by any other known method, to carry the interchange of commodities to the extent and perfection now witnessed. All kinds of productive machinery, from a needle up to a steam ship, possess one or other, or both of these attributes—they either lessen labor or they aid in producing things which human effort alone is incapable of producing. Money does both, and it is thus that its services contribute to the increase of wealth. True, the materials of which real money is made (gold and silver) are valuable for the purposes of art, but that application of their value has nothing whatever to do with their functions as money; nor would their adaptation to this purpose be lessened if their usefulness in every other respect should destroyed. This is sufficiently proved by the fact that bank notes, the material of which is without corresponding value for other purposes, are, in virtue of their representative or convertible attribute, capable of performing the office of money.

I have said that the only purpose to which money can be usefully applied is, to be given in exchange for other values, and at the same time to measure them. In strictness it should be observed, that it is also the instrument usually chosen for completing contracts which have been entered into on credit. In such cases it performs the same office without being present, but it is in virtue of a promise that it shall appear at a stipulated time. This is, therefore, a service identical in character with the one first named, but rendered in a modified form.

If the oldest coin extant were capable of imparting its history, we should find that its only acts of utility had been in performing the services already named. Place money in a till or safe, and it will not increase,

even though it be left there forever. If we loan it to another, and he returns us, at a subsequent period, the amount with interest, he is enabled to do so, not because it increases in his hands, but because he gives it proper employment—the transferring of values. We transfer it to him in exchange for his obligation to return us the amount together with a commission for its use, because we do not care to have the trouble of superintending its service ourselves. He sets it at work by exchanging it for other values, whence it proceeds on its appropriate mission, while he labors to modify, and thus increase, the values he has received in exchange for it. These he again exchanges for other money, out of which he returns the amount borrowed together with interest, retaining the balance, if any, as his reward for superintendence. It is to be noticed that the identical money loaned is not returned to us, that having been taken by the borrower only as a means of obtaining other values, in the superintendence or modification of which he could profitably employ his labor and skill; the money meanwhile performing its office by passing from hand to hand, and thus yielding a like service to hundreds of others. This vagrant, non-returning habit, is peculiar to money, since, if we loan or let any other kind of property, whether it be in the form of machinery, houses or land, it will be returned to us at the expiration of the contract, not in kind, but in identity. Money is returned in kind only; which fact, while it distinguishes this productive agent from all others, and indicates the nature of its service, clearly proves the singleness of its office.

Money, to be useful, must be kept in motion; for, like all other machinery, it is unproductive when at rest. To this activity it is impelled, alike by the prodigality of the spendthrift and the prudence of the frugal. The

latter set it in motion for the sake of its revenue; the former, for the sake of consuming the commodities that may be obtained in exchange for it. The only exceptions to this rule are those misers who, through the joint effect of ignorance, fear and avarice, doom their money to idleness by hoarding it.

Having explained the object of the inventor, by pointing out the office which the resulting machine was designed to fill, and having shown that it is incapable of yielding other useful service, be it our next task to examine the machine itself. It is important that we know its merits as an invention, its form, its size, and of what materials it is made; as without such knowledge we cannot judge of its adaptation to the end designed.

Before entering upon this examination, however, it is proper to state that there are three kinds of money in use—namely, coin, convertible paper, and inconvertible paper; and that they constitute three distinct inventions or machines, each of which will claim a section by itself. For the present, we are to consider the first named only; and in order that we may divest the subject of unnecessary intricacies, it will be well to assume that no other kind of money exists. It is well known that money, in its simplest form, passes at its real value;—in other words, that the market value of coin corresponds with the true value (cost of production *plus* average profits,) of the materials whereof it is composed. As relates to convertible and inconvertible paper money, the case is different, as we shall find when we come to consider them.

First, then, as to the merits of the invention. The desideratum was, as we have seen, the invention of an instrument or machine, capable of measuring the value of commodities, and of shifting their ownership without

resorting to the inconvenient and expensive process of barter. The plan devised was simply this: For government to select from the whole class of valuable commodities, one or more kinds; reduce each to a uniform quality; divide them into pieces of different sizes, containing known qualities; stamp them with distinctive names, arbitrarily chosen, and with the name of the government issuing them; and then to send them forth, not only as the established measure of value and instrument of transfer, but also as a legal tender in payment of debts. In whatever aspect the subject may be viewed, it will be found that this is all there is of genius in the invention of money in the form of coin. It cannot be denied that the conception or plan, simple as it is, and imperfect as we shall find it to be, is yet entitled to great merits as an invention, since the resulting machine has answered the aim of its projectors by superseding the system of barter. The plan has also been executed with becoming skill and judgment. The only serious error in this respect is in the naming of coins. Instead of stamping them with arbitrary names, the name should express the kind, quality and weight of the material. If this rule of naming had been adopted, much of the confusion and intricacy of international commerce and exchanges would have been avoided.

Gold and silver have been selected as the materials; and if we glance at the service to which the machine is applied, and thus learn the requisite properties of its material, we shall find that they have been wisely chosen. We are familiar with the fact that every purchase or sale is, by the parties thereto, deemed to be an exchange of equivalents; and since the plan of this sort of money requires that it pass from hand to hand at its true value, it follows that the material must possess the attribute

value: to be convenient for carriage or transportation, it should embody much of that attribute in small compass and weight: to prevent abrasion, to which it is peculiarly exposed by constant use, it should possess the qualities, hardness and adhesiveness: to qualify the machine for measuring all degrees of value, the material should be susceptible of exact divisions, and minute subdivisions: to prevent fluctuations in the quantity and value of money, the material should be one whereof the cost of production is uniform: to prevent frauds by counterfeiting, it should be difficult to imitate. These are the essential properties required in the material of money; and it is well known that they are more fully combined in the metals gold and silver, than in any other commodities. Either one of these metals would have answered the purpose, without the other; but it was found that gold, by reason of its high cost, was not well adapted to the measurement of small values, and that silver, in consequence of its low cost, was inconvenient as an instrument to measure and transfer large values; hence the adoption of both.

Now, although the materials have been well chosen—under the plan devised, none better could have been selected—yet, it will be noticed that they are liable to three serious objections: namely, their production costs too much, they are too heavy for convenience, and their value fluctuates. The plan, therefore, is defective. It would be an achievement of some moment to so modify the plan as to permit the use of materials free from these objections, without impairing the efficiency of the machine. This, it is believed, may be accomplished by a method to be pointed out in the third section.

Next, let us glance at the form or shape of this machine. If we contemplate the aggregate of money in

the world as a unit, we find it to be of the exact proportions of commerce, whose handmaid it is. Wherever commerce exists, there money is to be found aiding its operations, by facilitating the exchange and distribution of commodities. Where the commerce is heavy, there the section of the machine, or the quantity of money, is large; where the commerce is light, there the section is small. So uniform is this correspondence, that the amount of money employed in any given market, is an unerring indicator of the extent of its commerce.

We are now prepared to consider the size of this machine, which, it is to be observed, is the most important aspect in which the subject can be viewed. In contemplating the plan of the inventor, we discovered no device or function for limiting, or in any manner controlling, the amount of money in circulatlon; and a moment's reflection will convince us that no such function exists in the machine, or was intended to exist, the inventor having left its aggregate size and shape to such development as the natural laws of trade might happen to give. What, then, is the size which they have established? If these laws be such as they have been defined in a former chapter, and if the foreging exposition of the nature of money and its uses be true, it then follows that there will exist at all times, and at all places, an amount of value in the form of money precisely equal to the performance of the service required of that instrument; which is, *to measure and transfer all other values in search of a market, without failing to measure them correctly;* and that, whether we consider the commercial world as divided into individual markets, or into nations, or as one grand mart, it will be found true in relation to each individually, and to all collectively. There will, it is true, be temporary departures from this standard,

caused by the alternating preponderance of supply and demand, but, like all other commodities, the sum of the variations above it will exactly equal the aggregate of those below.

In illustration of the soundness of these positions, we will first consider the aggregate of money in the world as a single instrument of commerce. We will suppose the amount now in circulation to be $4,000 millions, consisting of one half gold and silver coin, the other half convertible paper; and we will further suppose, that the amount named fills the channels of circulation to that natural degree of fulness which enables this instrument of commerce not only to transfer all other commodities in search of a market, but, at the same time, to measure their value correctly. In other words, that the relative quantities of money and other commodities are so well balanced, the supply and demand for each are so even, that the industry and capital employed in producing the one are neither more nor less profitable than those engaged in the production of the other. As long as the equilibrium continues, production in each department will go on temperately and evenly, the votaries of each receiving their appropriate rewards. But suppose convertible paper money should be suddenly and universally suppressed, and the use of every other substitute for coin strictly prohibited. According to our supposition, this would lessen the amount of money, or contract the dimensions of the machine, one half. What would be the consequences? The first consequence would be, that the remaining half would have to perform the same amount of service that the whole had done before; and since we have seen that it was then, as in fact it always is, whatever be the quantity in circulation, under the lash and spur of the self-interest and the im-

providence of mankind, we cannot expect it to go faster now. Therefore, every dollar must now measure at each transfer double the quantity of value it did before; consequently, instead of being a true measure it is now a false one; but we shall find that the change is only temporary. For example: Before the diminution took place, one bushel of wheat and one dollar (we shall say,) were equivalent values; that is, they would not only purchase each other in the market, but reward their respective producers with the same degree of profit, say five cent. per annum. After the diminution, one dollar would buy two bushels of wheat, or twice the usual quantity of any other product; so that the production of gold and silver, instead of yielding to the industry and capital employed therein, five per cent. per annum, (the average rate of profit in all departments of production,) would now yield at least fifty per cent. How promptly and how strongly would these unwonted profits excite the desire of gain, and thus impell fresh votaries to join in the production of gold and silver. Plate and bullion would be transformed into coin; existing mining operations would be prosecuted with increased vigor; mines long since abandoned would be re-opened, and the earth would be ransacked and its bowels torn open in search of fresh ones. This state of things would soon produce an over supply of coin, which, in its turn, would cause a reaction; and so on, with lessening oscillation, until the equilibrium of profits as well as the natural relations of money and other commodities were permanently restored.

It thus appears that the existing aggregate of money cannot be permanently diminished, since, if any portion of it be destroyed by accident or legislation, the natural laws of trade, which govern the production of all sorts of

wealth, will speedily restore to this machine its original or natural dimensions. Nor can it be permantently enlarged, except by the augmentation of commerce. In illustration of this truth, let us assume, as before, that the existing quantity of money in the world is $4,000-000,000—half coin and half convertible paper. Now, suppose the aggregate should be increased to $5,000-000,000, by the issue of $1,000,000,000 more of convertible paper, what would be the ultimate consequence? At first the relative value of money would be lessened; in other words, the market price of all other things would advance twenty-five per cent. This would cause the production of gold and silver to be unprofitable, and it would also increase the profits on other products; whence it is apparent that the production of gold and silver would be suspended, that their consumption in the arts would be increased, that the production of other commodities would also be increased, and that, by these influences the natural relation of money to other commodities would be restored,—the only ultimate consequence being that one quarter more of the material of money would be converted into coin. Instead of consisting of equal proportions as before, it would then stand three parts paper and one part coin, leaving the aggregate the same as before the disturbance took place. This is an important fact in the consideration of our subject, for it has been and still is very generally believed, that the partial substitution of convertible paper for coin has greatly increased the aggregate of money in circulation. I venture, however, to pronounce the opinion unsound, and to lay it down as a general principle that every dollar of convertible paper money issued drives one of coin from the channels of circulation.

Hitherto we have considered money as a unit, or as a

single instrument of the commerce of the world. Next, let us consider it as divided into national sections. A little reflection will convince us that no one of these can be either enlarged or diminished, permanently, except in obedience to the enlargement or diminution of the national commerce whose instrument it is. If, for example, the balance of trade, or an over production of coin or of bank notes, gives one nation more money than its commerce calls for, or more than its relative proportion as compared with other nations, there will at once ensue a general rise in the prices of all commodities consumed at home, leaving undisturbed the market prices of exportable commodities, because these are governed by the prices current in foreign markets. Hence, importations are profitable, exportations unprofitable. Therefore the one will diminish, the other increase, until the surplus money is taken abroad to liquidate the adverse balance of trade; and thus, after a few vibrations, the equilibrium will be restored.—If adverse trade, or the suppression of paper money, or the consumption of coin, gives one nation *less* than its due proportion, these influences are inverted and money flows in from abroad.

The considerations now advanced clearly prove, as it seems to me, that the machine called Money is of very determinate size and shape. So obstinate is it, that whenever we attempt to enlarge one of its sections, the addition at once diffuses itself through the whole instrument, driving out as much both of volume and value, as we may choose to pour in. If we attempt to enlarge the whole machine by a general issue of convertible paper, the supply of coin is at once cut off, and a portion of the existing coin equal to the amount of paper issued, is speedily transferred from the channels of circulation to bank vaults and to the arts; and if we

attempt to curtail its proportions by suppressing paper money, strong currents of gold and silver at once flow in from their mineral fountains, and the vacuum is filled with coin. The only way, therefore, in which the existing aggregate of money in the world, or the quantity in any given market, can be either lessened or enlarged permanently, is by an increase or diminution of commerce. It may be well, however, to observe, that the nominal quantity of money would be affected by any variation in the cost of producing gold and silver; but the value or purchasing power of the aggregate, which is the only material point to be considered, would remain the same.

What, then, it may be asked, is the exact ratio of money and commerce? Or to state the question more distinctly: At the present cost of producing coin, what quantity of money does a given annual amount of commerce require? It will be quite impossible to answer this question with precision, because the statistics of commerce are too imperfect to show its full extent in any nation, or even in any single market; for it must be noticed that the term commerce is here used in its widest acceptation, in which sense it includes every purchase or sale of all sorts of property. If, however, besides knowing the quantity of money employed in a given market, we also knew how often it changed hands annually, we might then readily ascertain the extent of commerce in that market, and thus learn the exact proportion that the quantity of money bears to the extent of commerce. But here we are likewise at fault for want of sufficient data. We should not, perhaps, be very wide of the truth in estimating that money, on an average, performs its office of measuring and transferring values about one hundred times in a year, by passing through the hands

of that number of owners; and hence that the proportion of money to annual commerce is as 1 to 100. Be that however as it may, it will be sufficient for our purpose to know the actual quantity of money which commerce requires, and upon this point the statistics of money furnish the needful data.

Commerce being an expedient for permitting the division of employments, and money a contrivance for aiding the operations of commerce, it may be inferred that the quantity of money required in any given community will be, not strictly in proportion to its numbers, but slightly modified by the extent to which they have carried the division of employments. In confirmation of this, we find, by the statistics of money, that the people of Great Britain and Ireland possess about $500,000,000, which, reduced to a mean, is about $19 per head, whilst the people of the United States possess about $300,000,000 (say $220 m. of bank currency and $80m. of circulating coin,) which is but $15 per head; and it is well known that there is greater division of labor, and hence more commerce, in Britain than in the United States. The quantity of money in Great Britain and Ireland, as here stated, is taken from an estimate made by that government and submitted to Parliament, a few years since, except that I have added thereto the deposites in banks payable on demand, which were most strangely omitted in the estimate. The quantity of bank currency in the United States, as here stated, is taken from a document published in the year 1846 by the Treasury Department at Washington. The quantity of circulating coin in the United States at that period, exclusive of the amount held by banks, which we must not include because it does not circulate, is an estimate of my own. It is probably higher than most men would

estimate it, but I consider it more likely to be under than over the true quantity. In the document just referred to, is given a statement of the amount of currency furnished by the banks of the United States for each year from 1834 to 1845 inclusive; from which it appears, that notwithstanding the mischievous expansions and contractions which that method of furnishing money has produced in our section of the machine—forcing our aggregate of money sometimes forty per cent. above its natural quantity, and at others as much below—yet the average for the twelve years was about the same, in proportion to population, that it was in 1846; from which we may conclude that our section of the machine was then at its natural size, or gravitating point. In other words, that, at the present cost of producing gold and silver, a mean of fifteen dollars per head is the quantity of money that our commerce requires, and which the natural laws of trade will give, whether the money consists of coin exclusively, or of coin and its paper representative. To Britain they will give more because her people are more commercial than ours; to other nations they will give less because their's are less commercial, so that the United States may be considered about a fair standard by which to estimate the quantity of money required by commerce in the aggregate. Therefore, the natural ratio of money (when expressed in dollars) and population, is as 15 to 1. But, as already intimated, this ratio would be disturbed by any variation in the cost of producing gold and silver, or either of them; and in view of the extraordinary deposits of gold which are said to have been discovered recently in California, it may be useful to illustrate the point briefly.

The precious metals, like every other valuable product, are obtained by the joint service of skill, labor,

capital and land; and their true value, which is but another name for that service, is equal to the cost of production *plus* average profits. The four prime agents contribute equally in their production, and the proprietors of each receive an equal share of the gross profits. True, where the mines are rich their proprietors receive more than one fourth of the profits, and where the mines are poor they receive less than that proportion; but taken collectively, their revenue is subject to the same law of distribution which we found to preside over production in general. When new and richer mines are discovered they are at once invested with a high market value, but the market value of other mines is depressed in the aggregate to nearly the same extent; the poorest are even abandoned. Consequently, such discoveries increase the quantity of these metals produced by a given amount of industry, capital and land; in other words, they lessen the cost of gold, or of silver, as the case may be. With cost of production diminished, and the market value of the product remaining undistured, the profits are of course enhanced. The enhanced profits not only stimulate the productive forces already engaged in the pursuit, but attract others, by which means the production is enlarged. The enlarged production depresses the market value until it settles below the true value; but, as in the case of all other products, it will ultimately conform to that standard. Therefore the quantity of money will increase in exact proportion to the diminished cost of producing coin. For example: if, by the discovery of richer mines, or by improvements in the arts of mining and metallurgy, gold and silver should hereafter be produced 25 per cent. cheaper than at present, it would ultimately increase the quantity of money in circulation $33\frac{1}{3}$ per cent., or from

$15 to $20 per head, and *vice versa*. While, however, it would thus increase the quantity, the aggregate value would remain as at present; for it must be remembered that whenever, from permanent causes, any class of commodoties are produced at cheaper rates, the value of those previously produced at higher rates is brought down to the same level. True value is to be estimated in all cases, not by what the product actually cost, but by the cost at which one equally useful could be produced at the time the estimate is made.

But we have not yet solved the problem presented by the recent discoveries in California. That case has had no exact parallel; and if the accounts received from there be not gross exaggerations, the history of wealth affords nothing approaching a parallel. It is represented, for instance, that over large districts of that territory, gold is scattered in such profusion that an unskilled laborer, with the rudest of implements, may gather on an average more than an ounce of the pure metal per day, and that the supply is inexhaustible. These are the most sober of the accounts received, while others represent that large masses, and even large mines of pure gold have been discovered. But discarding these as fabulous, let us assume that the more sober accounts are true, and, after clothing the facts with the extraordinary circumstances by which they are surrounded, attempt to trace out their consequences.

The gold is discovered in California simultaneously with the transfer of the ownership of that province from Mexico to the United States, and before the latter has extended her laws over it. The laws of Mexico are annulled, those of the United States are not yet established, nor are they likely to be soon: conflicting opinions in reference to slavery bid fair to prevent it for a

year or two at least. Meantime, adventurers from all quarters of the globe are flocking thither in numbers so vast that a few years bids fair to give the province a population of millions. They gather the gold without paying ground rent, and almost without the aid of skill or capital. There is but one partner in the productive firm, namely, Labor; and each proprietor of labor, instead of receiving the ordinary reward of one dollar per day, receives $20. When the United States gets ready to establish a government there, and to take possession of her lands, preparatory to their survey and sale, it is not likely that such men, thus employed, will be in the proper temper to submit. We may rather suppose that they will feel inclined to keep the mineral lands common property, in order that they may continue to engross the whole proceeds of their labor. If that should prove to be the event, and if the gold is really as abundant and inexhaustible as represented, then the ultimate consequence would be an enlargement of the money machine to twenty times its present volume, or to $300 per head, leaving the aggregate value thereof the same as now. But if, on the other hand, the government should succeed in getting possession of the mineral lands, and should divide them into lots and sell them to the highest bidders, then the production of gold there, as elsewhere, would soon range itself under the natural laws of trade, which, as we have seen, award one half the revenue to industry and the other half to the proprietors of the concurring capital and land. In that event, therefore, the ultimate consequence of the facts assumed would be a tenfold increase of the quantity of money, say from $15 per head to $130. This enlargement would of course consist of gold coin alone. In fact silver would be entirely expelled from the money machine, and the

place it now occupies therein, as well as the enlargement, would be filled by gold, unless the relative value of the two metals, as now established by law, should be modified in conformity with the change in their relative cost of production. The relative value of gold and silver, as now established by law, is as $15\frac{2}{15}$ to 1, which ratio probably coincides very nearly with their relative cost. But if ten ounces of gold shall hereafter be produced by the same amount of productive service now expended in the production of one ounce, it follows that the relative value of gold and silver will stand as $15\frac{2}{15}$ to 10. The true value of silver will not be disturbed, but gold will possess no more than one-tenth the quantity of that attribute which it does at the present time.

Now it is interesting to inquire, whether, upon the happening of such a contingency, governments would permit silver to be expelled from its office as money; or whether they would attempt to approximate the legal value of the two metals in conformity with the approximation of their cost, so as to retain both in circulation; and if the latter, by what means they would accomplish it. They could not with propriety or justice change either the weight, quality, or name of the silver dollar, since no change occurs in the cost of producing it. Therefore they would have to change either the weight, quality, or denomination, of gold coins. The eagle, for instance, if left at its present weight and fineness, would have to be called a dollar; or if its name and its present legal value were retained, its weight or the quantity of pure metal which it now contains, would have to be increased tenfold. An ordinance of that kind would inflict heavy losses on banks and all other large holders of gold coin, but it would be the legitimate consequence of holding a commodity that had been depre-

ciated in value by a reduction in the cost of producing other commodities like it; whereas, if the legal value of the coin should be retained, in the face of a diminution of ninety per cent. in its true value, it is obvious that the holders of annuities and mortgages, and in fact all creditors of every class, would be robbed of nine-tenths of their rightful dues, and that the debtor class would be benefited to the same extent. Therefore, it would be most politic and just to continue the use of silver as money; and to do it either by increasing the weight and fineness or by lowering the denomination of gold coins, in proportion to their diminished cost; leaving the weight, quality, name, and legal value of the silver dollar, as well as all other coins of that metal, the same as they are at present.

It is scarcely necessary to remark that the assumption on which the preceding speculations are based is not believed to be literally true. The statements received from California are assumed to be true in their whole length and breadth, merely for the purpose of deducing the monetary consequences of the facts asserted, in case they prove to be facts. So far as relates to the abundance of gold in certain localities, and to the facility with which it may be obtained at present, the accounts may doubtless be relied on as correct. But with regard to the extent of the *placers*, and especially to their inexhaustibleness, the statements are at best mere conjectures, which, it is not at all likely, will be fully verified by a more exact knowledge of the facts; and if they are not, the consequences I have deduced will not, of course, ensue. There can be little doubt, however, that there will be found enough of truth in these representations to diminish in some degree the average cost of producing gold; and hence that the money machine will be some-

what enlarged, and that the market price of other commodities will be in an equal degree enhanced, unless governments alter either the denomination, the weight, or the fineness of gold coins. Temporarily, indeed, these effects are certain to ensue, because the amount of coin will be for a time somewhat enlarged, and for the additional reason, that convertible paper money is certain to increase in the same ratio; but both will return to their present quantity whenever the California deposits shall have been so far exhausted that the cost of producing gold there will be equal to the present average cost of producing it elsewhere.*

SECTION 2.

Of Convertible Paper Money.

The invention of convertible paper money may be regarded as an ingenious but most unfortunate attempt to avoid two of the objections which I have shown may be fairly urged against money in the form of coin; namely, the expensiveness and the weight of its material. The attempt must be called ingenious since it has succeeded to some extent in dispensing with the use of coin, by filling its place with paper promises; it is unfortunate because it has produced evils which far surpass its benefits, as will be shown in the progress of this section.

* It is proper to remark that the views here presented in reference to the discovery of gold in California, and its probable effects on the currency, were penned in January, 1849, at which time our information on that subject was less definite and less authentic than at present. The facts do not, however, differ materially from those which I then assumed to be true, nor do their monetary effects, so far as they are yet developed, differ from those which I then ventured to predict. Therefore, I have not thought it worth while either to recast or modify what I had written on this subject, so as to adapt it to our present enlarged knowledge of the facts in the case.

Let us first look at the conception and plan, and then at the processes by which this sort of money is produced.

The idea of its projectors appears to have been simply this: to add another section to the money machine, as they found it existing in the form of coin, by engrafting it with paper promises. And the plan was, to take from the channels of circulation a given quantity of coin, to hold it in possession, and to send to those channels, two, three, or four times the quantity of paper, bearing on its face a promise of redemption in coin whenever demanded. This is all there is of genius in the invention. The plan has been carried out, or practically applied, by what are termed banks of discount, deposite and circulation. It will be useful to present an illustration of their processes.

We will suppose one of these paper money mills, or monied institutions, as they are ambitiously termed, to commence business with a cash capital of $100,000, in coin. It commences discounting mercantile paper—that is, it gives its own bills, payable on demand, in exchange for notes payable at a future day, less the discount. It at the same time begins to receive deposites of money in the shape of its own bills and the bills of other banks. These it in turn gives out in exchange for more mercantile paper, less the discount. We will suppose this process to go on until the bank holds discounted paper to the amount of $300,000, exclusive of the discount charged on it; and that it still retains the $100,000 of coin. It will be perceived that it must then owe to its depositors and to the community for circulating bills $300,000—say $100,000 to the former, and $200,000 to the latter. In this supposition, therefore, the bank first takes from the channels of circulation $100,000 of money, in coin,

which, after having gone through the multiplying process of bank representation, returns to those channels in the form of $300,000 convertible paper, or bank currency—namely, $200,000 of bank note circulation, and $100,000 due depositors on demand. The item last named, although it be no where in existence, (for neither the bank nor the depositors really possess it,) is as truly money, and performs its office as well, as the notes in actual circulation; because, whenever depositors find use for their money, the bank is compelled either to pay them in coin or to increase to that extent its issue of bills. And if they should all simultaneously demand their deposites, and the bank should pay them in bills, its circulation would of course be increased to the full extent of the deposites. The truth is, the money of the merchant, or capitalist, deposited in bank for safety or convenience, is as truly in circulation as that which he or others carry in their pockets. It seems strange that a fact so obvious and so important as this, should have been overlooked by most writers on the subject of paper money.

This bank, then, having taken $100,000 of coin and transformed it into $300,000 of convertible paper, has increased the quantity of circulating money $200,000. The increase, however, is only temporary, since, as I have already shown, it results ultimately in a mere substitution of convertible paper for coin, by driving from the channels of circulation an equal amount of the latter. A very simple, yet certain rule for ascertaining the extent to which banks first increase the quantity, but finally merely change the quality of money, is, to subtract the amount of capital paid in from the gross amount of loans and all other investments: the difference will be the true answer.

Such is a brief outline of the process by which convertible paper is engrafted on money, and made to perform a share of its services. In the case just assumed and presented as an illustration, we found that the locking up of one dollar of money, in the form of coin, set free three dollars in the form of convertible paper; and this is probably about the ratio of transformation which actually takes place under the banking system as it now exists. Therefore, while the paper dollar purports to represent a dollar of coin, it in fact represents but the third part of a dollar. But since all who desire to do so, may exchange it for a whole dollar of coin, it of course performs the office of a whole dollar. Seeing, however, that its representative character is in part fictitious, and knowing that it often proves altogether fallacious, we may naturally ask, why will people receive it as money? Why will they accept the shadow in place of the substance? The answer is to be found, first, in its superior convenience; secondly, in the belief that it can be converted at pleasure into coin; and thirdly, in that intense and universal desire for money which springs from its recognition as the standard of value, and from its being the chosen instrument for satisfying contracts. In virtue of these attributes, money has the power of commanding the presence of any desired commodity of value. It is the immediate agent for supplying the objects of all wants and desires which wealth is capable of ministering to. Not so with other commodities. Generally, they can only be exchanged for money, and not for that until the proper market and purchaser have been found, which is always difficult and sometimes impracticable. In short, with money in possession, we have but one exchange to make in order to secure the object of desire, while with other surplus products we have two, the first

of which (securing the money) is infinitely more difficult than the second.

It is to these considerations that we must attribute the willingness of men accept the shadow of money in lieu of its substance. All men of ordinary sagacity know that the representative character of convertible paper money is, in part at least, an ingenious fiction; and hence, that if any considerable portion of the bill holders and depositors of the best managed bank should simultaneously demand payment, they must be refused. They know, too, that when adverse trade or other cause creates a panic, the whole fraternity of banks shut themselves up in their shells like so many tortoises. It is known also, from bitter experience, that the want of security which attaches to this sort of money is not imaginary, since the holders of it in the United States have lost within the brief period of its existence here, more than $100,000,000 by broken banks and depreciated bills, to say nothing of the still heavier losses incurred by shareholders. And yet we find that the desire of money, combined with the superior convenience of the paper material, leads men possessing a full knowledge of the hazards, not only to accept the substitute but to receive it with alacrity.

But how, it may be asked, does it supplant the coin? I answer, simply by filling the measure of money too full, or rather, by attempting to heap it up, for it is always as full as the fluid nature of its functions will bear. It has been shown, for instance, that whenever the enlargement of a particular locality or section is attempted, the increase first diffuses itself throughout the whole machine, and afterwards disappears; and inasmuch as paper money, like every other commodity, gravitates towards its market of greatest value, which,

with this, is its place of redemption, it follows necessarily that the surplus taken away and diffused, must be in coin, which is of uniform value everywhere.

It now remains to inquire whether convertible paper has any other recommendation than that of superior convenience. This is clearly the only benefit that the community at large derive from its use; for although its material is much less expensive than that of coin, yet no one ever received from the banks a single dollar of it without giving in exchange, or promising to give, an amount of value equal to that which it purports to represent, and which really belongs to the material of coin. I am aware that the popular opinion is, that banks increase the quantity of money, and that this is beneficial to the community. The premiss I have already shown to be false, and with that the inference must fall. Besides, the inference is not legitimate. So far from it, indeed, that, if it were true that banks increase the quantity of money in circulation, they would be vastly more mischievous than they really are.

If, then, there are other benefits inherent in this system, they must inure to the banks themselves. The invention has obviated the necessity of value in the materials of money, to an extent precisely equal to the excess of bank discounts and other investments over bank capital. That excess is known to be large, and the profits thence resulting, necessarily accrue to the banks themselves, since they receive interest on the amount without possessing the capital. They also gain the principal, as well as the interest, on that portion of their circulating bills which are never returned for redemption. When, in addition to these advantages, which are legitimate fruits of the invention, it is considered that banks are usually invested with the attribute monopoly,

which screens their profits from the equalizing tendencies of the natural laws of trade, we might readily conclude that the production of convertible paper money is highly profitable to those engaged in it:—under that impression men become shareholders in banks. It is familiar knowledge, however, that, in this country at least, no other business has been equally disastrious. How shall we account for a result, apparently so unnatural? In the first place I think we may safely attribute many bank disasters to the want of knowledge and skill on the part of those engaged in the business; and in the second place, to the demoralizing tendencies of the business itself, which has been found to stimulate the dishonest propensities of so many of the managers and clerks.

In evidence of the prevailing ignorance on the subject, it may be observed that there is scarcely a state in the Union but that has permitted, by special grants, a greater extent of banking than would have been established by the natural laws of trade if left to themselves. They have thus, without perceiving the fact, virtually destroyed the very monopolies they designed to grant. Now York and some other states have wisely abandoned the old system of special grants, and have thrown open the business to all who will conform to prescribed conditions. This is an advance in the right direction, since the new system is more equitable and more secure than those which it supersedes; but it has not reached the root of the evil. The radical defect in our banking system I conceive to be the absence of individual liability on the part of shareholders. The origin of most of those disasters, and consequent losses to proprietors and creditors, which we find recorded in every page of its history, may be clearly traced to that fatal omission; and yet, strange as it may appear, a large majority of

both classes of sufferers have pertinaciously resisted every attempt to engraft on the system that just and effectual expedient for increasing their security. With that simple clause inserted in bank charters, we should not find their affairs placed under the management of those who were either needy, incompetent, or unworthy of confidence. Nor should we then find, as we now do in some instances, a board of directors owning less than the twentieth part of the capital over which they preside. To loan money securely and well, requires the keen sagacity of personal interest.

But even if the science of banking were thoroughly understood, the art perfect, and its processes guided by enlightened and skilful owners, the business would not then be so profitable as we are apt to imagine. If thrown open to the whole community, competition would of course bring its profits, ultimately, to correspond with those of all other departments of production. But I mean to say, that if confined to the favored few, by special laws, the profits would not be much if any higher than the average. A few words, in explanation of the manner in which banks create value, will demonstrate the correctness of this assertion.

Banking, like mining, metallurgy and coining, produces money, but it is of a kind which loses its value when returned and redeemed; and as this occurs sooner or later with nearly all that it issued, it follows that the only value created by the production of convertible paper money, is the amount of interest, while in circulation, of the gross quantity produced, together with the principal of that portion which is lost or destroyed. The only other source of revenue in legitimate banking is, interest on the actual capital, which, it is well known, may be obtained as readily and more securely without

resorting to that expedient. Now, before we can determine the net profits of any pursuit, we must ascertain the cost, and deduct it from the gross value produced. The cost of producing convertible paper money consists, 1, of the paper, plates, and printing of the bills; 2, of the rent or use of banking houses; 3, of furniture, books, stationary, &c.; 4, of the salaries paid to officers and clerks; 5, of losses by frauds, forgeries, over-drafts and insolvencies. If these expenses, and these unavoidble losses, which to some extent must occur in the business of a skilfully managed and fortunate bank, be added together, it may be inferred that they about equal the value produced—that is, they absorb the interest received on the excess of loans over capital, together with the principal of circulating notes lost and destroyed —leaving to the stockholders nothing more than interest on their capital, which it would have earned with far greater certainty if directly loaned by themselves. If we make a similar estimate where either skill or integrity, or both, have been wanting in the officers and managers, we may expect to find that the expenses and losses absorb not only the entire value created, but in addition, some portion of the capital and its revenue; and in extreme cases, the whole of these together with the value of the circulating notes and deposites. These inferences, fairly deducible from the nature of the business, are completely verified by experience and observation; and they warrant the general conclusion, that, when viewed as a department of business, the production of convertible paper money has not been, nor is it likely to be, profitable to those engaged in it.

The worst feature of this invention remains to be noticed. *Its tendencies are eminently demoralizing.* By its alternate and ever recurring expansions and con-

tractions of the money machine, it keeps the standard of value constantly vibrating. This unsettles business as well as prices; it makes fortunes and mars them; it excites men's gambling propensities, which are sufficiently strong by nature; it leads to recklessness, extravagance, and immoral practices. These influences are felt, less or more, by the whole community, while to those employed in the paper money laboratories, the temptations to fraud and peculation are so strong, and the opportunities so inviting, that many men of ordinary honesty are thereby turned into rogues.

Another evil consequence of this method of producing money deserves a passing notice—namely, its tendency, when aided by restrictions on external commerce, to keep the measure of money too full.—From what has been shown of the nature and uses of money, we may safely conclude that the desire for that article can never be fully satisfied; and hence, that the supply can never equal the demand. But since we know that the market value sinks as the supply increases, we may readily infer that, when money passes at the market value of the material whereof it is made, as is the case with coin, the supply will be kept within the limits of profitable production. This natural veto on the excessive production of coin, is inoperative when applied to an excessive issue of convertible paper, because the market value of the latter is not dependent on the cost of production. But for restraining that evil, nature has provided another law equally effective—namely, the adverse balance thereby produced in external commerce, and the consequent abstraction of the specie basis of the paper issues, which compels the banks to curtail their circulation or fail, either of which alternatives will divest money of its surplus quantity. Where international commerce is pro-

hibited, this natural restraining law is of course annulled, and as a consequence, a mixed currency, consisting of coin and convertible paper, is no longer a true measure of value, but, on the contrary, altogether arbitrary and uncertain. Where external commerce is trammeled by the imposition of duties on imports, the consequences are somewhat analagous. These duties, for example, first diminish imports by protecting, and thus increasing the production of, their domestic rivals. This brings in coin to restore the balance of trade; the coin increases the basis of convertible paper, whereupon the banks increase their issues, which enhances prices and checks exports. The inflation of money and consequent enhancement of prices go on increasing until an excess of imports is called in, by the high prices, sufficient to carry away a part of the coin, which, in its turn, forces in the excessive issue of paper, and generally with so much suddenness that the result is an explosion—or more properly, a collapse of the banking system. These consequences are not only legitimate but inevitable, because, as we have just seen, the only restraint upon bank expensions is the fear of losing coin. The different banks of the same country would, however, be a check upon each other, were it not for the well known fact that their managers all become excited at the same time; and worse still, they inoculate the whole community with their madness.—It may be said, therefore, that convertible paper money, when co-existent with tariff laws, tends to keep the measure of money too full, besides causing the standard of value to vibrate more suddenly, and to far more ruinous extremes.

I have now finished my survey of the uses and properties of money in its two most customary forms; and if the views that have been advanced are sound, they

establish the truth of the conclusions which follow—viz:

First, That money in the form of gold and silver coins, although an invention of unrivaled utility, is, nevertheless, liable to three serious objections, namely: it costs too much to produce, it is too heavy for convenience, and it lacks the requisite uniformity of value.

Secondly, That the invention of convertible paper money was designed to mitigate two of these defects by a partial substitution of representative value (mainly fictitious) for real value, and a material of paper for one of metal.

Thirdly, That while the invention last named has secured the aims of its projectors, by partially avoiding the objections referred to, it has produced other mischiefs of a far more serious kind, which may be recapitulated thus: 1, It has turned out that the fictitious value of the convertible paper costs its producers as much or more than it costs to produce the coin which it purports to represent: this, of itself, neutralizes one of the two advantages anticipated from the invention. 2, The money thus produced has proved to be insecure; for although it costs as much to produce as coin, it has no value when its producers become insolvent, which happens so often that its holders are subjected to immense losses. 3, It is demoralizing and otherwise injurious to the general welfare, since, by its ceaseless expansions and contractions of the measure of value, it has thrown around commerce, and in fact every other branch of production, the chance-like uncertainties of the gambling table. 4, It tends, when aided by tariff laws, to keep the measure of money too full, which, besides giving undue advantages to foreign nations, by enhancing the price of imports while it does not affect

the price of exports, is certain to be followed by ruinous contractions or a general suspension of specie payments. To counterbalance these great evils, convertible paper money has but one compensating attribute, which in comparison with them is but as a feather in the opposite scale—namely, it possesses greater convenience than coin.

SECTION 3.

Of Inconvertible Paper Money.

Inconvertible paper has often filled the office of money, but never, that I am aware of, in conformity with a previously devised and digested plan. Its producers have been governed by no fixed rules; they have adopted it as an expedient either of necessity or of fraud: and the extent of issues, in each case, has been governed by the joint operation of the motive and the means.

It is not my purpose to investigate the properties of money issued thus at random. But I desire to present the outlines of a plan of inconvertible paper money, by means of which, it is believed, all that is useful in coin and convertible paper may be secured, and all that is objectionable in each avoided, except so far as coin may be required in our external commerce and in the circulation of fractional parts of a dollar. The plan I would suggest may be thus set forth:

Let the Constitution of the United States be amended, by the insertion of provisions something like the following:

First, That the production and emission of conver-

tible paper money in the United States be henceforth interdicted, and that the amount thereof already emitted and now in use, be withdrawn from the channels of circulation and suppressed, in the manner following, to wit: by an annual diminution of the loans and discounts of each and every bank in the Union now exercising the functions of discount, deposite, and circulation; which annual diminution shall be at least equal to one-tenth of the amount by which their loans and discounts at present exceeds the amount of their capital actually paid in and not otherwise employed. [This would leave them at the end of ten years without any bills in circulation, without any capital loaned out except their own, and with their deposites, if any, remaining in the vaults unemployed. It would therefore not only deprive them of the power of producing money, but so effectually dry up their sources of profit that they would be likely to disband and let each proprietor loan his own capital.]

Second, That the existing clause in the Constitution, which establishes gold and silver coins as the standard of value and as the legal tender in payment of debts, be so modified and enlarged as to include the money issued under and by authority of the ensuing clause—namely:

Third, That the government of the United States, in payment of its current expenses, issue annually, for ten consecutive years, $25,000,000 of paper money, to be of the similitude of bank notes, and of various denominations, ranging from $1 to $1,000; and to be worded thus:

"—— Dollars, legal Money of the United States, issued by authority of the people thereof. Dated Washington city, January 1, 18—.

(Signed) A. B., President of the United States.
" C. D., Treasurer.
(Countersigned) E. F., Commissioner.
" G. H. Register."

[Here should follow detailed constitutional provisions, prescribing the method of production and emission, and establishing the most rigorous of penalties for every act of unfaithfulness committed by those entrusted with these operations—especially for the act of transcending the prescribed limits of emission.]

That, at the expiration of the ten years, the population of the United States be ascertained, and such additional issue of this money then made as will render the aggregate emission, when expressed in dollars, equal to ten times the whole number of inhabitants; and that every year thereafter the emission be equal to ten times the annual increase of population, so that the number of dollars in paper money and the number of inhabitants will uniformly stand as 10 to 1.

Fourth, That the production and emission of every other substitute for coin be strictly prohibited.

Such is an outline of the monetary policy which I venture to recommend. It will be perceived that it embraces the method of transition from convertible paper money to inconvertible, as well as the plan of producing and emitting the latter. I will now proceed to explain what I conceive to be its advantages.

Paper money, thus issued, would cost nothing, or next to nothing, to produce, nor would it be inconvenient from weight. Therefore, it would clearly obviate two of the three serious objections to which coin is liable. And since its quantity, as compared with population or commerce, would be invariable, it follows that its value

or purchasing power would be uniform: therefore, it would be free from the other objection which I have urged against coin, and which applies with still greater force to convertible paper. It would possess another advantage over coin which deserves notice. When coin is lost or destroyed, there is an absolute loss of value—the owner loses, no one gains; but whenever this should meet the same fate, the loss of the owner would be balenced by the gain of the community. If, in these essential attributes, it is thus superior to coin, it is scarcely necessary to compare it with convertible paper, or with a circulating medium made up of coin and bank notes. It may not however be amiss to say, that, in virtue of its irredeemable character, it would be free from the widespread mischiefs produced by bank panics, suspensions and failures, which periodically occur under that system. It would thus greatly mitigate the severity of commercial crises, and perhaps render them altogether harmless. In a word, it would remedy all the defects inherent in coin and in convertible paper. The important inquiry then is, would paper issued in conformity with this plan perform the office of money?—in other words, would it be recognized as money, and received as money? And if so, would it be free from new defects peculiar to itself? I answer in the affirmative for the reasons which follow.

In contemplating money as an instrument invented to fill a specific office in the laboratory of production, we discovered that the inventor had made no effort to control its size, but left it to such development as the natural laws of trade might happen to award. And pursuing our inquiries, we found that these laws have awarded to that instrument a very determinate size;—one which not only qualifies it for measuring and transferring all other values in search of a market, but for measuring them

correctly: for whenever, from any cause, it is either diminished or enlarged, so as to destroy the correctness of its measuring power, these laws speedily bring it back to the standard size which they have established. Therefore the quantity of money in circulation, when the instrument is fashioned after the model represented by coin, is altogether dependent on the cost of its production,—value of material is the only essential element. Convertible paper money is constructed on nearly the same principle. In fact, it is a part of the same instrument, since the paper emissions are based upon coin and purport to represent it; the only difference being that a representative value, partly fictitious, is there substituted for a real one. Consequently, this modification of the original invention has not interfered with the principle just pointed out. The size or quantity of a circulating medium compounded of coin and its professed representative, is entirely dependent on the cost of producing coin, and the aggregate is precisely the same as though it consisted of coin alone. In other words, the quantity of money, as that instrument is at present constructed, is governed by the natural laws of trade.

Now the instrument which I propose, would be constructed upon a principle differing radically from this. *Its magnitude or quantity, instead of being governed by natural law, would be governed by positive law.* It will be readily perceived that the positive limitation of quantity in this instrument would accomplish the only useful purpose that cost of production does in the other; and that it would do it not only as well but much better, provided human enactments could be enforced with as much certainty as the laws of nature are, because the cost of producing coin is constantly fluctuating, and as a matter of course its value is equally unsteady.

If, then, as I have endeavored to show, and as a moment's reflection will convince any one, the presence of value in the materal of money be only required for the purpose of limiting its quantity, how much better and cheaper would it be to establish the limitation by an unbending organic law of the state, and to select a material free from cost and inconvenience. No one can fail to perceive the immense advantages that would ensue. But it may be asked, how would you secure for this improved instrument its general recognition and acceptance as money, when it neither consists of nor represents a material of value? It is believed that the plan proposed would secure that end. Let us see.

The substance of the proposition is this: That the people of the United States grant to their government an exclusive patent for the production and emission of paper money, accompanied by positive and unbending restrictions as to the quantity it may emit, and as to the legal value at which it shall be emitted by the government and received by the people, not only in exchange for commodities but in payment of debts. And in order to prevent any sudden or even ultimate variation of the quantity of money now in circulation, I have proposed that the emission correspond in time and quantity with the retiring of convertible paper money;—for it is to be remarked that our banks now furnish, in the form of circulating notes and deposites, about $250,000,000 of convertible paper money, which amount agrees with that of the inconvertible paper it is proposed to issue within the time named for winding up their affairs; but since the $50,000,000 of coin now held by them would be simultaneously set free, it follows that our circulating medium would be increased to that extent by the transition; which increase, however, would scarcely equal the relative

growth of our commerce during the same period. As an additional, but perhaps unnecessary safeguard, I have also proposed that the production and emission of every other sort of money, save gold and silver, of which there need be no fears of a redundancy, be stricly prohibited.

The name (Money) and the legal character that would be thus stamped upon this paper by the supreme law, combined with the promised recognition implied in granting authority to issue it, could not fail to secure its general recognition and acceptance as money everywhere within our borders, especially as the want of some other medium, to take the place of bank notes withdrawn from circulation, would be intense, while this would be the only legal substitute attainable. Under circumstances like these, the result could not be doubtful: the paper would be not only recognized as money, but cordially received in that capacity. And it would be equally certain to do its work well. The impossibility of obtaining it without giving in exchange an amount of real value equal to the unchanging legal value wherewith it is stamped, combined with the invariableness of its quantity, would render its measurements of value both true and uniform. Its lightness and adaptation to rapid counting would render it convenient as an instrument of transfer, which fact is fully established by experience derived from the use of its prototype, bank notes.

Now if this kind of money is producible without cost; if it will be recognized and received as money; if it will measure values with uniform correctness, and transfer them without inconvenience—why is it not perfect? It would seem to combine all the good qualities we could desire, and to be free from bad ones, unless they have been overlooked. Perhaps it may be urged in objection to the plan, that its adoption would invest government

with a monopoly. If so, it may be answered that the right to produce and establish the standard of value is a legitimate and useful prerogative of government,—a prerogative conferred on ours at its birth, and which it has uniformly exercised, albeit imperfectly, by coining gold and silver money and regulating the value thereof. In truth, the functions of money are so interwoven with the affairs of men that its stability and uniformity of value are almost as essential to their prosperity as is the establishment and maintenance of the right of property itself. And since we have seen that the production of convertible paper money is demoralizing and unprofitable to those engaged in that pursuit, it follows that the unqualified government monopoly herein proposed, and which it is believed the framers of our constitution intended to confer, would, like the maintenance of the right of property, deprive the citizen of no privilege but that of plundering his fellow men without advantage to himself. It is proper to remark, also, that where the form of government is republican, the profits and other advantages resulting from the monopolies wherewith it is invested, inure to the people themselves, and are shared by all.

But a more plausible objection to my plan may be grounded on the conceded fact that the paper issued in conformity with it would not be recognized as money in foreign countries; and hence, that it would be defective as an instrument of external commerce. However valid this objection may be, when urged against the adoption of a circulating medium of inconvertible paper alone, it is altogether inapplicable to my scheme, as will be shown presently. It is believed, however, that it would not be entitled to much if any weight when applied to the stronger case just referred to. In the ordinary transac-

tions of international commerce, bills of exchange are employed instead of money, the latter being only required for preserving the equilibrium, which it does by passing from the debtor to the creditor community whenever an adverse balance occurs. Now it is obvious that bullion would perform this service quite as well as money, for, like that, it is of uniform value everywhere. True, the exportation of bullion would not check importations so promptly as does the exportation of coin, because the latter acts directly on their market price, while the former could only affect the market price of bullion; but since by elevating that, the cost of imports and the market value of exports would be increased, it is clear that the ultimate consequence would be the same in both cases, namely, a check to imports and an impetus to exports. For these reasons, it is believed that money in the form of coin is not essential even in foreign commerce; and hence that coin and all other money based on the value of its material, might be, with safety and profit, entirely displaced by inconvertible paper, with the exception, perhaps, of fractional parts of a dollar. The soundness of this conclusion is in some measure confirmed by the experience of Buenos Ayres. The commerce of that state has been carried on for many years with no other money than inconvertible paper. They have not issued it in conformity with any established plan; they have issued twelve times the quantity called for by their commerce; they increase the emission whenever the wants of government are pressing; the government itself is so weak as to be liable to foreign subjugation, in which case the purchasing power of its money would be destroyed. Yet, in the face of these serious defects, their paper money performs its office not only to their own satisfaction, but to the satisfaction of those of other

countries who are connected with their external commerce.

There are, however, some objections to the entire disuse of the precious metals as money; but it is unnessary to name them, since they, taken in connexion with the possible validity of the objection just disposed of, have deterred me from proposing that policy. My proposition is merely designed to transform that portion of our circulating medium which consists of convertible paper, into inconvertible—or rather, to expel the one and fill its place with the other—leaving the coin portion undisturbed. We should thus blend the service of the two portions, and secure the utility of both inventions. The paper would circulate at home, coin partly at home and partly in the channels of foreign commerce. It may be useful to illustrate this point briefly.

It has been shown from well authenticated statistics that, at the present cost of producing coin, our aggregate of money, when expressed in dollars, is equal to 15 times the number of our inhabitants. But this sum is known to be subject to variations connected with foreign commerce. For example, when the exports exceed the imports money flows in; when the imports are in excess it flows out. And as it respects the United States, it must be remarked that when the balance of trade is favorable and coin flowing in, our banks increase their issues, when the balance is adverse and the coin leaving us, they contract them; which influences necessarily increase the extent of these variations. The data furnished by the records of our foreign commerce show that the excess of exports of coin over its imports, or of imports over exports, in any single vibration of the balance of trade, never exceeds $25,000,000—rarely half that sum. The statistics of banking show that their expansions and

contractions occupy much wider limits. In the memorable inflasion of 1836, which stimulated to madness the gambling propensities of our people, and in the subsequent contraction, ending in 1841, which bankrupted not only individuals but states, and engendered immoral practices so gross that they have cast a shade over that chapter of our history—the two extremes were $155,000,000 apart. With the exception of this instance, it is believed that the oscillations of our convertible paper money have not transcended the limits of $75,000,000; which, added to the variations in coin, gives as the aggregate variation in our quantity of money $100,000,000, or $5 per head. In other words, our circulating medium, as at present compounded of coin and its professed representative, ranges from $12½ to 1 of population, up to 17½ to 1. Convertible paper money is peculiarly liable to variations in quantity, because it purports to represent more coin than it really does, in consequence of which it is compelled to contract its volume whenever a panic or a foreign demand for coin sends it in for redemption. It is apparent, therefore, that with a circulating medium exclusively metalic, or mixed in the manner I have proposed, these vibrations in our quantity of money would be confined within much narrower limits—limits which we may safely say could never exceed $60,000,000. This would give as our minimum 13½ to 1. $30,000,000, or $1½ to 1 of population, would be abundant to fill the channels of circulation with fractional parts of a dollar. Taking the last named sum from the minimum, it leaves $12 to 1 of population, as the largest extent to which irredeemable paper could be issued without resorting to bullion to aid in liquidating the adverse balances of foreign commerce. My proposition is but 10 to 1; consequently it would not render that expedient necessary.

If our money were constructed according to the plan suggested, it would consist of two-thirds paper and one-third coin. At home they would work in harmony and concert in measuring and transferring values, and in satisfying contracts, with this difference only: the paper being the lighter and more convenient of the two—it being capable of travelling faster and at less expense than coin—it would necessarily receive a preference over it, ranging from one-quarter of one per cent. to two per cent., according to circumstances and locality. But when an adverse balance of trade opened the door to a foreign demand for money, coin alone could satisfy that demand, which would give it, momentarily, a higher market value than its paper colleague. That the difference, however, would be both slight and temporary, is made manifest by the teachings of 1837. Our currency had then been inflated beyond all precedent; the inflation had engendered speculations, foreign loans and importations to an untold amount; and when the re-action came, the banks suspended cash payments at almost the first call for coin, leaving the country flooded with an inconvertible paper currency, and with a large balance of foreign indebtedness. Under this accumulation of adverse circumstances, the paper of the suspended banks in New York—the point at which the foreign demand for coin was strongest—did not sink more than 12 per cent. below coin, and it recovered at least the half of this depression as soon as the panic caused by the explosion had subsided. The twenty-six years suspension of cash payments by the Bank of England, furnishes another notable illustration in point. During the greater part of the period of suspension, the bills of that bank were almost upon a par with coin; and their value was never seriously depressed, except in the more trying crises of the wars against Napoleon. It

must be borne in mind that the depressions here referred to were mainly produced by causes from which the money I have proposed would be entirely exempt. It is well known, for instance, that the bills of suspended banks are depressed in value by the non-fulfilment of the promise stamped upon them, by their excessive emission, by a knowledge of their utter worthlessness in case the suspension proves to be a failure, as it often does, and in most cases by their want of legality, as well as by the absence of their foreign recognition as money; which last is the only cause of depression that would apply to inconvertible paper money issued in accordance with the plan suggested. It is believed, therefore, that the strongest foreign demand for coin could not enhance its market value, even temporarily, more than two or three per cent., or at the utmost four per cent., above that of its paper colleague. And we must not overlook the important fact that this temporary superiority of coin would be caused by the expansion of its own market value, not by a contraction of that of the paper money: the market value of the coin would change, that of the paper would remain as before, or rather, its purchasing power would also increase, but in a less degree than that of the coin.

Upon the whole, I think we may safely conclude that the average market value of the paper dollar would be higher than that of its metallic compeer. The soundness of this conclusion can be tested only by experiment; but I have such entire confidence in the truth of the theory whence it is derived, that I have no more doubt that a fairly made experiment would verify it than I have that the sun will rise to-morrow.

It remains to notice one other objection that may be urged against this plan of money, and it is the only one

of any validity to which it is fairly liable. I refer to the difficulty of confining the total emission within the limits prescribed, and of guarding against other acts of unfaithfulness on the part of those entrusted with its production and emission,—a difficulty which has its origin in the frailty of humun nature. There can be little doubt, however, of the feasibility of securing these ends. Mature reflection would suggest a plan of guards, and checks, and punishments, abundantly competent not only to secure the faithful execution of the trust, but to guard this money, more effectually than any hitherto produced, from successful attempts to counterfeit it. The simple expedient of connecting the President of the United States with the trust and making him responsible for its faithful performance, would probably be sufficient of itself to prevent unfaithfulness; for we have never yet had, and it is hoped we never may have, an incumbent of that office whose desire of fame, sense of duty, and love of virtue, combined with the fear of punishment, have not been sufficient to restrain him from the perpetration of fraud and perjury for the sake of pecuniary gain, however great. But it would not be right, nor prudent, to put the fidelity of the President to so severe a test as the sole trusteeship would involve. The trust should be placed in the hands of the President, the Vice President, and the Treasurer of the United States, together with a Commissioner and a Register to be elected by the people. Each of these trustees should not only sign and preserve a record of every bill issued, but they should be enjoined to fidelity by an oath, and deterred from infidelity by the most severe and ignominious penalties known to our laws. And if it should be deemed necessary to guard against collusion on the part of the trustees, it might be required that every bill issued should be registered and counter-

signed by one or more of the governors of states. These suggestions are thrown out as an indication of the means at our command for preventing excessive issues and other frauds, not as the proper method of attaining that end. Doubtless those who are skilled in such matters could frame provisions far more appropriate and effectual.

In conclusion it may be observed that, by the adoption of this plan of producing money and regulating the value thereof, the people of the United States would save, in diminished taxes, within the first ten years, $250,000,000, and some $7,000,000 (or tenfold the increase of population) annually thereafter, together with the interest of the whole and the principal of whatever portion of the emission should happen to be lost or destroyed. They would, moreover, enjoy the convenience of paper money without subjecting themselves to the manifold evils of bank notes; and they would possess a better, a more uniformly truthful measure of value, than coin, without its accompaniments of cost and weight. It will be readily admitted that these are advantages worth possessing; and, after mature reflection, I am free to declare my conviction that they may be secured by the plan of which I have given the outlines, and without the hazard of a single returning evil.

Chapter vi.

OF CREDIT; AND OF THE RIGHT OF PROPERTY IN ACTIONS.

It is known that great inequality exists in the pecuniary condition of mankind, and that the fact is chiefly attributable to the various degrees of skill, diligence and frugality wherewith nature has endowed different individuals, though it must be owned that unjust laws often produce no small share of the inequality. In a former chapter it has been shown that this inequality in the ownership of wealth, by placing a superabundance of capital and land in the hands of some proprietors of industry, and a deficiency in the hands of others, led to the expedient of Credit, which, for purposes of production, equalized their distribution, and thus avoided the necessity of any portion of the productive forces remaining idle. It was there shown, also, that the right of property in actions was instituted by governments for the purpose of compelling the return of capital and land thus loaned. I then expressed some doubts as to the wisdom of that policy, and will now present the reasons on which those doubts are grounded—premising, however, that further reflection on the subject has resolved them into convictions.

The establishment of this right is the most complex feature of government, and its enforcement by far the

most difficult duty that the state has undertaken to perform. Take it all in all, it has caused a prodigious enlargement of the government machine. A vast majority of the laws of every civilized nation are designed either to define, establish, enforce, or perfect this right; and the chief duty of the judiciary is to adjudicate, and of the bar to prosecute, the claims and legal controversies to which it gives rise. Yet how very imperfectly is it enforced! We frequently see debtors revelling in wealth, which belongs to their creditors—creditors who have tried the remedies provided by government for securing their rights, and found them utterly unavailing. In truth, it is very rare—so rare that it may be called an exception to the general rule—that any one who is indisposed to pay his debts is compelled to do so by virtue of legal remedies, however able he may be. Therefore the right of property in actions, or—to use a more familiar phrase—the enforcement of the obligation of contracts, is not, practically, a reality. It is an illusion, or rather, a rotten beam in the political edifice, tempting the dependence of the unwary, but failing to give them the needful support at the critical moment.

Now it is manifest that there must be some fundamental error in this policy. A right whereof the establishment, definition and maintenance, consumes more than one half the mental service devoted to legislation; a right which forms the staple of law-books, and the attempted enforcement of which constitutes the chief duty of judges, lawyers, jurors, witnesses, and a host of government officials, should be something more than a mere nullity. One of two things, therefore, is clearly necessary: the right should be either strengthened and made real by more perfect guaranties, or it should be annulled. Which is the proper remedy? Experience

has demonstrated the impossibility of perfecting the right, especially its enforcement; but assuming it feasible to increase in an essential degree its security, which may well be doubted, it is believed that it would be better policy, nevertheless, to abrogate it altogether as relates to capital, but not as relates to land.

It has been shown that wealth is produced by the joint effort of skill, labor, capital and land, and that in every concurrent group the different agents correspond in magnitude; that is, there is sufficient of each to concur with the productive powers of the others. When the proprietor of industry owns less of capital and land than he is capable of laboring in concert with, he either borrows more of these or he loans his industry to others; when his capital and land are in excess, he either loans the excess or he borrows more industry. By these means the productive forces are so distributed that the whole of each is fully employed. These are the simplest forms of credit. In these forms, and to the extent indicated, it is highly advantageous to borrowers and to lenders, and for that reason would exist in the absence of the pretended guaranty. But there are other and more complicated forms of credit, which doubtless originated in governmental interference. I refer particularly to the existing system of mercantile credits, especially in the United States, where it is carried to a more pernicious extent than it is in any other country. Under this system B borrows capital in the form of merchandize of A, not for the purpose of employing the capital himself, but for the purpose of loaning it to C, who in his turn loans it to D, and so on to the end of the alphabet—each charging a profit (beyond a fair commission for the sale of goods,) sufficient to cover interest and risk of loss on the amount loaned. A large share of the internal commerce of our

country is carried on under this system; and instead of being beneficial, it appears to me to be seriously detrimental to both prosperity and virtue.

It is known that $2\frac{1}{2}$ per cent. commission is charged for guaranteeing sales on credit in those departments of commerce where the hazards on such sales are least. It is also known that in some branches of business, and in the retail trade generally, the per centage of loss on credit sales ranges from 10 per cent. upwards. We may therefore safely assume that the mean loss on credit sales is not less than 4 per cent. In passing from producers to consumers, commodities are usually subject to numerous sales or transfers of ownership. Take, for an illustration, the article cotton. It first passes from its producer to the commission merchant, thence to the manufacturer, thence again to the commission merchant, thence to the jobber, thence to the retailer, and thence, finally, to the consumer. This is its most direct route. It sometimes has to pass through the hands of several other intermediate agents. The same remarks will apply to most other agricultural products, and, indeed, with slight modifications, to every article that passes through the channels of commerce.

We shall be safe then in assuming that the average number of sales to which the articles of commerce are subjected, before reaching consumers, is not less than five. And we have just seen that the average profit charged on each credit sale, to cover risk of loss, is four per cent. or upwards; so that consumers have to pay, in addition to interest for the credit extended to themselves, not less than 20 per cent. more for goods which have been transferred through the different agencies of commerce by means of credit, than they do for those that are transferred by means of cash payments. This is one

of the legitimate fruits of the existing system of commercial credits. It will be admitted that it is bitter; but I will proceed to show that the system bears another class of fruits which are still more pernicious.

Is it asked what becomes of the 20 per cent. additional profits paid by consumers? It is obvious that it does not go into the pockets of merchants, as extra profits, for we have seen that it merely remunerates them for losses on credit sales. It goes then to those merchants who do not pay for the goods they buy on credit, and to those consumers who do not pay for the articles which they consume. Does it benefit either of these classes? Clearly not in a pecuniary point of view, for it leaves them poor; their only plea for not paying is inability, and in case the plea is not well founded the law professes to enforce payment. Does it tend to elevate them in a social or moral point of view, or to increase their happiness in any respect? Directly the contrary. It enables them to sow the seeds of idleness, dissipation, improvidence and other vicious habits, and to reap the harvest of misery, which, in some form or other, invariably ensues. In short, this form of the credit system compels the honest, industrious and frugal to pay one-fifth higher for the goods they consume, in order that spendthrifts and rogues may live in idleness and luxury.

It is generally supposed, however, that credit multiplies capital, and hence that without this extended system of credits there would not be sufficient means to prosecute commerce advantageously, if at all. This is an error. The premises are altogether false. Credits of the simplest kind merely shift, for a stipulated period, the possession of capital, without either increasing or diminishing its amount. But the complicated system of mercantile credits which now prevails, scarcely does so

much as that—at least, while, like the simpler forms of credit, it utterly fails to increase capital, it does not even shift its possession to anything like the extent of the credits granted: for in many instances, a line of indebtedness, running the whole length of the alphabet, might be liquidated by a single transfer of property from Z to A. Indeed, it often happens that Z and A are also connected by a similar credit, so that the line of indebtedness forms a complete circle, in which case there is no transfer of capital, provided the debits and credits in each link of the series are equal and uniform; since, in that event, the whole indebtedness may be liquidated by offsets, without a single payment in cash, or other transfer of property. The more general case, however, is the one first named. The operation is something like this: merchants of the first class, such as importing and commission houses, usually advance either cash or acceptances at short date for their wares; they sell them to the jobbing merchant on a credit of six or eight months; the jobber sells them to the retailer, and the retailer distributes them to consumers, on similar terms. As a means of payment, the consumers rely either on the debts due them for their own products which they had previously sold on credit, or on their future earnings—generally the latter.

Now it is evident that, where consumers rely on the debts due them for liquidating their own indebtedness, this system of credits does not alter the distribution of capital, nor the pecuniary condition of any one of those who participate in it, otherwise than by compelling them all to pay 20 per cent. higher for the products which they consume. But where consumers rely on their future earnings to pay for goods which they have bought on credit and consumed, the effects

of the system are different. It does not then augment capital, nor in any wise increase the facilities of production or the interchange of commodities; but it is virtually a loan, at an enormous profit, from the mercantile to the agricultural, manufacturing, and mechanic classes, of an amount of capital which, but for the system, the latter would save out of their own earnings—save, too, without stinting their consumptions, for we have seen that they would then obtain their supplies 20 per cent. cheaper than they do at present. It therefore tends to impoverish all classes but the mercantile, and to demoralize that without enriching it, since, as already shown, the extra profits charged by merchants merely compensate them for their losses by bad debts.

For these and other reasons which might be advanced, I regard our present extended credits as going far beyond the boundaries of utility; nor can it be doubted, I fancy, that they owe their extraordinary development to the interference of government. The abrogation of all laws for the collection of debts would speedily lop off the excrescencies of the system, and bring credit back to the performance of that office which it was originally designed to fill—namely, to equalizing, for the purposes of production, the distribution of the productive forces.

It may be supposed by some, that without the stimulus of law, credits could not, or would not, be kept up to the extreme limits of utility. I am entirely satisfied that there need be no fears on this point. The interests of the rich and the poor, of borrowers and lenders, are reciprocal as respects credits. The former are as unwilling to lose the revenue of their surplus capital and land, by reason of their idleness, as the poor are unable to forego the revenue of their industry; so that the inducements

offered on either side could not fail to be such as to bring the two together, to at least the degree requisite to prevent the idleness of either. The chances are, on the contrary, that the adventurous spirit of the mercantile class, aided by the force of habit, would perpetuate an excessive development of credit, at least for a long time after the legal stimulus had been removed.

Under the existing system, lenders look chiefly to the responsibility of the borrower, i. e. to his pecuniary means of paying. Abolish the right of property in actions, and they will look exclusively to character—to honesty, capability, and other kindred attributes. These are the legitimate foundations of credit, for it is mainly the poor—they who have no other security to offer—that wish to avail themselves of the benefits to be derived from borrowing. It is a well known law of commerce—and the principle will hold good in every other class of transactions—that, whenever you increase the demand for an article, the supply directly increases in the same ratio. Increase the demand for integrity of character, frugality and diligence, by basing credits exclusively upon them, and you will soon stimulate and develope these desirable qualities of character to such a degree that any one who should prove so far deficient therein as to refuse the payment of a debt, when he either possessed or by proper efforts might have possessed the means of payment, would be utterly discountenanced in all respectable society. Increase the demand for virtue and you will increase the supply; enlarge its rewards, and you will not fail to improve its quality, and thereby elevate the national standard of morality.

As the matter now stands there are districts in our country in which it is accounted meritorious to evade the payment of an honest debt; while in no part of our

country is that species of villiany so emphatically condemned as to be made a ground of exclusion from any social circle, however select or exacting it may be in other respects. This vicious public sentiment is a natural consequence of the existing policy. Creditors look more to the law than to the honesty or honor of their debtors for the enforcement of payments; and while such is the case we must expect that evasions of payment will be regarded as skilful achievements over the law and the sagacity of creditors, rather than as acts of dishonor. Or, if these offences against morality are not looked upon with entire complacency, the existing policy at least secures them from a large share of that obloquy which would justly attach to them if the debtor's sense of justice were the only means relied on for enforcing payments.*

Another consideration deserves notice. The compulsory enforcement of the payment of debts gives a factitious advantage to capital, by securing to its owners a larger degree of credit than they could otherwise obtain, which is a clear infringement of the rule of equality. Credit, if there be such things as natural rights, is one of them; consequently, any policy which modifies or alters the distribution of its benefits is unjust to those who are thereby deprived of their rightful share.

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* In support of these positions I may here present some historical facts which have come to my knowledge since this work was written. When the State of Mississippi was set off from the Territory of Alabama, a misunderstandihg occurred between those two governments in relation to the boundary line. Both claimed a strip of land sufficiently large to form several counties; neither one would permit the other to exercise jurisdiction over it; and the consequence was that the inhabitants were left to shift for themselves, without laws or legal tribunals of any kind: there was not a judge nor a lawyer within the limits of the disputed territory. This state of things continued for for some years, during which time the population increased, the inhabitants were prosperous, their commerce flournished; and although sales were made on credit to the amount of millions, without other guaranty than that which the honor of the purchasers afforded, not a single delinquency occurred—not the first bad debt was made. These facts are related on the authority of the Hon. R. J. Walker, who, I believe, was personally cognizant of them,

I can conceive of no important benefits to be derived from the policy under consideration, even if it were possible to make its guaranties perfect; and as it is now modeled and enforced in the United States, it must be regarded as the most stupendous failure of the age. For one, and in the capacity of one who has had no small share of experience under it, I can truly say that I have found it safest to place no reliance whatever on its proffered aid. These remarks, as well as all those which precede, do not, of course, apply to the loan of houses and lands. For reasons too obvious to notice, the law should guaranty the return of those, whenever they have been let or loaned for a stipulated period.

I am well aware that there are but few who will subscribe to the doctrines herein advanced. The public mind in this country is certainly not yet prepared to abolish all laws for the collection of debts. Perhaps it never will be, though I am free to confess that I confidently expect that event to take place at no distant period. As a most significant indication of its approach, I would point to a kindred but mistaken theory, which, although but recently started, has been received with so much favor that it has already assumed, in many of the states, the form and force of law. I refer to the policy of "homestead exemption," as it is called. In some of the western states this policy has been adopted to the extent of securing to individual debtors, when they chance to possess so much, an ordinary sized farm and its appurtenances, together with the needful implements of culture; that is, those states have abolished to this extent the legal remedy of creditors.

Any valid reason that can be urged in favor of this modification of the right of property in actions, will, as it appears to me, apply with equal force in favor of its

entire abrogation; while, on the other hand, good reasons may be offered in favor of the latter which are not applicable to the former. So far as principle is involved, it makes no difference whether a debtor, who is able to pay, withholds from his creditors $100 or $10,000. In either case the act is dishonest; the difference is in degree, not in character, nor is the difference in degree any greater than the difference in temptation. In many cases, also, the inconveniences produced by small delinquences equal those produced by large ones. For example, where an individual whose creditors are poor tradesmen, mechanics, or laboring men, avails himself of the homestead-exemption-law for the purpose of defrauding them, they will be likely to feel more serious embarrassment from their trifling losses than would large capitalists from the loss of thousands.

The truth is, these homestead-exemption-laws are based on a false principle. Their adoption is urged and justified on the ground that society owes to its members the means of support, and that a given quantity of land is an indispensable part of that means. These grounds are altogether untenable. In a former chapter it has been shown that they would not even justify the state in donating land to individuals; and if they will not warrant that, with what show of justice or propriety can they be urged in favor of permitting one individual to withhold from other individuals their rightful property? The answer is clear: none whatever. It might almost as well be urged that the robber and thief are entitled to their plunder, the only difference being, that, in these cases, the owners part with their property involuntarily, while in the case of creditors the act is a voluntary one. This distinction does not afford the slightest justification to those debtors who keep, for their own use and benefit,

property which rightfully belongs to their creditors; but it would justify the state in abstaining from all interference between debtors and creditors.

The policy of exempting homesteads will probably be, like most other measures founded in error, very short-lived. Its consequences are not likely to be such as its advocates expected it to produce. It was supposed that it would enable the idle, the improvident, and the unfortunate, to live on the earnings of the industrious and frugal; for it was believed that the former would still succeed in obtaining the property of the latter on credit, although the legal obligation to return it, or pay for it, was annulled. This expectation is not likely to be realized. Already the credit of merchants and others, in those states where these laws have been adopted, is considerably impaired; and when their credit shall be called upon to pass through one of those commercial revulsions which periodically occur, we may expect to see it reduced to limits of the narrowest kind. Therefore, these laws, instead of benefiting the class for whose especial advantage they were made, will prove injurious by depriving them of their accustomed credits. This may, however, prove beneficial to them in the end, inasmuch as it will drive them into the ranks of the diligent and frugal. At all events, the contraction of credits cannot fail to prove advantageous to the community at large; and when the benefits which properly belong to the change of policy herein proposed, shall have been thus accidentally tasted, we may expect to see homestead exeption laws give place to the abrogation of all laws for the collection of debts.

Before dismissing the subject of credit, it may be well to notice the generally entertained opinion that all kinds of credit transactions tend to diminish the aggregate

demand for money—in other words, that credit is an absolute substitute for money. This doctrine has been taught by almost every eminent writer on political economy; but as the matter appears to me, it is very wide of the truth nevertheless.

There is one kind of credit which certainly does diminish the demand for *metallic* money: but, to the precise extent of the diminution, it furnishes a substitute therefor in the form of convertible paper money. I refer of course to the kind of credit involved in the banking system, and the nature of which has been sufficiently explained in a former chapter. There is, however, another kind of credit, the employment of which lessens the aggregate demand for both paper money and coin, and that is, the credit involved in bills of exchange. The expedient of liquidating debts due in distant markets by means of bills of exchange, could not be resorted to without the aid of credit; and but for that expedient, there would have to be constant streams of money passing to and from all the different markets of the world. The average amount of money that would be thus employed, beyond the amount now employed in liquidating balances of distant indebtedness, is dispensed with by means of this branch of the credit system. There is also another form of credit somewhat analogous to this, which is, where A and B sell to each other on credit, and settle at stated periods by a mere payment of the balance, if any. This, however, may be more properly called an indirect method of barter, than a specific form of credit. All other forms of credit are destitute of influence on the currency—or rather, they neither enlarge nor diminish the aggregate amount of money demanded for measuring and transferring the circulating wealth of the commercial world. They merely change the office

of money from that of transferring the ownership of the property or commodities sold, to that of liquidating the obligations which represent them. Suppose, for example, that the commercial transactions in a given market are $1,000,000 per day, and that they are all entered into on a credit of 6 moths. It is plain enough that the amount of daily payments, in cash, will be $1,000,000, just the same as if no credit was given—the only difference being that the money is employed in the payment of notes instead of the purchase of goods. Among the multitude of expedients to which interest and convenience give rise in commercial transactions, there are some which may be called exceptions to this rule—such as where a party liquidates the claim of his creditors with the note of his debtor, or where he employs it in the purchase of goods. In these and similar expedients, credit is a substitute for money in the particular transactions to which they relate; but the resort to them is so rare, and their influence so slight, that they cause no appreciable diminution in the aggregate of money employed in commerce.

The opinion that credit is an absolute substitute for money, is based, it would seem, on the well known fact that the former, like the latter, possesses the power of purchase. If it also possessed the power of satisfying contracts, the opinion would be sound. It is familiar knowledge, however, that credit does not possess this power, except in the peculiar form of it already referred to. In all others, money is ultimately called in to perform its rightful office.

It is highly probable, however, that credits in their ordinary form, often aggravate the severity of what is termed a commercial crisis; and that they do so from the very fact that they only perform one half the office

of money. If they were competent to execute their own engagements, they could have no effect, either in the present or the future, on the demand for money; nor could they have if the extent to which they are substituted for money, in the act of purchase, were invariable. But neither of these attributes appertain to credit. While its purchasing power is nearly unlimited, the only means that it affords of cancelling its own engagements, is the expedient of a legal discharge under bankrupt laws; and while the extent to which it is employed as a means of purchase is governed by no fixed rules or uniform laws, that extent is found to be subject to great variations—variations which correspond, very nearly, in time, place, and degree, with the oscillations in the amount of money in circulation. We might reasonably expect that the larger the amount of money in circulation, the less use would be made of its substitute as a means of purchase; but the reverse appears to be the fact, and a closer examination will show us that it could not well be otherwise. When the volume of money is enlarged, prices rise; the rise of prices, by producing an apparent general prosperity, engenders a spirit of speculation; speculation produces an augmentation of credits, and since an increase of purchases on credit do not require, until a future period, a corresponding increase of money to pay for them, it follows that the inflation of prices is, by the mischievous influences of credit, often carried far beyond the point at which they would be arrested under a system of cash payments. So, on the other hand, when the crisis arrives—when the enlarged contracts entered into on credit are to be met, and when the payment of foreign indebtedness, the contraction of the banking system, and the hoarding consequent on the previous inflation of prices, have diminished the amount

of money in circulation—then credits, instead of being extended to fill the vacuum in the purchasing power, caused by the diminished circulation of money, are also greatly diminished; by which means they increase the intensity of the reaction, and thereby aggravate the disaster of the crisis.

The present system of mercantile credits is not, I fancy, obnoxious to the charge of originating those inflations of prices which first intoxicate and afterward prostrate the commercial community. It merely enters in, after the movement has been started, as an adjunct to the prime cause. That cause is to be found in the variations of the aggregate amount of money in circulation, and in the constant ebbing and flowing of portions of it between the different markets of the world. If no other money existed than that which is made of the precious metals, these causes would be sufficiently active to produce serious commercial revulsions; but stimulated as they are by the partial substitution of convertible paper money for coin, the volume of the substitute being subject to the ever recurring expansions and contractions of the banking system, they must be still more potent in the production of these evils. As before remarked, however, it is to the concurrent expansion and contraction of credits, to which these causes give rise, that we must mainly attribute the intensity of commercial revulsions, as well as the general bankruptcy which they often produce.

If credits were found to contract as the volume of money increased, and to expand as it diminished, they would be highly useful as a means of counteracting the vibration of prices: but since experience has abundantly proved that the oscillations of credit, under the present system, always correspond with those of money, we must note the fact as another evidence of the impolicy of that system.

Chapter vii.

OF SLAVERY.

Considered as a political institution, Slavery consists in the recognition and social guaranty of the right of property in human beings. This right is clearly inconsistent with the principles of justice and political equality. Its exercise necessarily deprives the enslaved of their relative rights; it in fact despoils them of everything worth possessing, except life, and it often renders that burdensome. For these reasons, slavery, instead of being legalized and established as one of the institutions of society, should be strictly interdicted by all governments, and especially by those of the republican type. No considerations of any kind can possibly justify a state in the adoption of a system so repugnant to every dictate of justice—so directly in conflict with the first and highest principles for the maintenance of which governments themselves were instituted.

Having thus summarily disposed of the political question involved in slavery,—having shown that, as an institution of the state, it is founded on principles so fundamentally wrong, that no possible combination of circumstances can justify its establishment—we might dismiss the topic as one meriting no further consideration. Unfortunately, however, the question of estalishing slavery is not presented to us as an original proposition, but as one which some states have already decided in the affirmative, and reduced to practice. We must therefore

consider the right of property in human beings as an existing legality, and as one which is constantly producing fruit of some kind or other. By ascertaining the character of that fruit, we shall be able to determine, not whether it is such as to justify the policy by which it is produced—for that we have seen to be impossible—but whether it tends to aggravate or mitigate the iniquity of that policy. It is believed by many that the evils of slavery are reciprocal, or in other words, that the system is injurious to the master as well as to the slave. If this belief is well founded, a clear demonstration of the fact could scarcely fail to give a death-blow to the system, for it needs but that conviction among slaveholders to render its voluntary abandonment both certain and speedy.

There are various aspects in which slavery may be viewed, in reference to its effects on human happiness. It unquestionably exercises a strong influence on the moral and social condition of society, as well as on its political and economic condition; and it is not unlikely, if we were to take a general survey of the subject, we should find that the influences first named are more important and of a more pernicious character than the second. This, however, is not the proper place to investigate them, except so far as may be necessary to ascertain their indirect effects on the production, distribution and consumption of wealth. These last being the only consequences with which political economy is concerned, I shall of course refrain from noticing any others. It may be well to premise, also, since there are various kinds and degrees of involuntary servitude, that the considerations I am about to offer will be confined to that specific form of slavery which prevails in the southern states of this republic.

The first inquiry then is, does slavery tend to enrich the communities in which it exists, or does it tend to impoverish them? As respects its influence on the enslaved, the question is easily answered, since it not only divests them of all property, but of all the means of future acquisitions. But as relates to its effects on the interests of slave-owners and other freemen, the correct answer is not so obvious. Statistics and observation have indeed proved, most conclusively, that the non-slaveholding states of our Union are more prosperous than the slaveholding—the fact is no longer disputed by slaveholders themselves; but since many of the latter deny that the less prosperous condition of the south is justly attributable to slavery, it will be necessary to apply the natural laws of trade to that system of production and distribution, in order to ascertain what kind of economic fruits it is really calculated to produce.

It has been found that negro slavery, by degrading all those employments to which the slave is put, completely excludes freemen from similar occupations, wherever that system prevails. In consequence of this, the industry employed in agriculture and the mechanic arts, as well as in all kinds of menial occupations, at the south, consists almost wholly of the service of slaves. The non-intellectual quality of that service excludes it from the learned professions, and from the higher processes of commerce; insomuch that these vocations are prosecuted entirely by freemen. It will be perceived, therefore, that the two classes, the enslaved and the free, have each an exclusive field in which to exercise their industrial powers. That in which slaves are employed requires an outlay of little else than muscular strength, while the field appropriated to freemen calls chiefly for intellectual effort. In other words, this sys-

tem completely separates Labor from Skill, and converts the former into Capital. Under it, laborers do not, as they do in a free state, constitute a distinct and independent partner in the productive firm, entitled to one quarter of the gross profits; but, like the plough and the ox, they are merely productive machines belonging to owners and subject to their will.

This conversion of Labor into Capital cannot fail to diminish the productiveness of that agent. The slave has no personal interest in the results of his own labor. He knows that however much of revenue he may produce, his own share will be strictly limited to the necessaries of life;—he knows that diligence will not better his pecuniary condition, nor idleness render it worse. In a word, the hope of gain and the fear of want are both extinguished by the deprivation of freedom. The absence of these two most powerful incentives to diligence and carefulness, must necessarily render slave labor extremely inefficient. About the only motive that prompts the slave to exertion, is a dread of the lash. This motive is probably strong enough in most cases to overcome the natural aversion to labor, but all experience testifies that it is an extremely feeble incentive compared to the desire of gain and other motives which prompt the industrial efforts of freemen. Under its influence the slave aims to do as little as circumstances will permit, while the freeman strives to do as much as he possibly can; whence it is evident that the labor of the former must be less productive than that of the latter. But the diminution of *quantity* is not the only influence, nor even the worst, which slavery exerts on the productiveness of labor: a still more pernicious consequence is to be found in its deterioration of the *quality* of that labor. The slave has no motive to strive for

excellence or increased proficiency in the arts of production, nor is it the habit of his owner to expend much of either effort or money in attempting to educate him therein. Indeed the latter, under the joint influence of fear and avarice, carefully withholds from the former all the means usually employed in promoting mental development. Reared thus in ignorance, slaves are necessarily put to such employments as require but little of intellectual effort; and, since they have no hope of reward or other adequate inducement to exercise that little to the best of their ability, we cannot but expect their skill to become less and less, until their service is scarcely distinguishable from that of the ox or the mule, except by its inferiority of muscular power.

These views are in perfect harmony with the results of experience. All who are familiar with the subject know that in those simple occupations which require the outlay of muscular strength only, slave-labor is not more than half as efficient as the labor of freemen; and they also know that in the more recondite arts of production, where much of intellectual and artistic skill is required, the difference in favor of the latter is more than a hundred-fold.

Nor are these the only paralizing effects on the production of wealth, with which slavery is chargeable. It tends to prevent the accumulation of legitimate capital, by occupying its place with human chattels. So strong and certain is this tendency, that we generally find the joint value of the two no greater than that of capital alone under the free system. In fact the conversion of Labor into Capital appears to dry up one of the four prime sources of production altogether—without, however, as will be shown presently, suppressing with equal completeness one of the agencies of consumption.

This system of production also tends to exclude Skill, and to vitiate the quality of that which it admits; for while it completely suppresses the skill of the enslaved class, it rarely fails to render their proprietors either too proud, too indolent, or too ignorant of the science and arts of production, to superintend and direct the labor of slaves. Their usual alternative is to employ overseers. These are necessarily men of slender qualifications, because no one of much capacity or self respect will accept of a situation which is so universally regarded as despicable and degrading. It appears, therefore, that the skill which co-operates with slave-labor must be about as inefficient as I have shown that kind of labor to be. Land, the other co-operating force, is a passive agent. Its productiveness is chiefly dependent on the degree of energy and skill with which it is cultivated. Consequently, to whatever extent slavery weakens the efficiency of Skill, Labor, and Capital, to precisely the same extent it diminishes the productiveness of Land.

We find, then, that slavery suppresses one of the prime agents of production, and seriously weakens the efficiency of the remaining three; insomuch that I think we may safely conclude that the aggregate production of wealth, under it, is less than half the amount that an equal number of freemen will produce.

While slavery thus lessens, by more than 50 per cent., the gross production of wealth, it does not, because it cannot without detriment to the owner's interest, reduce the share consumed by slaves below the point essential to the development and maintenance of their physical powers. To this point the consumptions of a large portion of the laboring class of freemen are also reduced, in some cases by necessity, in others by choice; but,

whether their abstinence is voluntary or involuntary, their productive powers are free from that paralizing influence which the act of enslavement exerts. Consequently, the larger average consumptions of freemen cannot be regarded as one of the causes of their superiority as productive agents, except so far as wealth is consumed in their industrial education. It is evident, however, that where the aggregate production is less, the aggregate consumption must also be less; because a community cannot, in the long run, consume more than it produces, nor indeed quite so much without arresting its own growth. Under slavery the consumptions of Labor are strictly limited to the necessaries of life, while under freedom a large share of that class of producers partake of the luxuries of life. This compulsory abstinence of the enslaved will compensate in some measure for the inefficiency of their productive powers; but whether it will fully compensate for that inefficiency, remains to be seen. It must indeed do much more than this before the system can be justified, even on economic grounds; for unless it compensates for *all* the detriments to production, with which slavery is chargeable, it is evident that the system must be injurious to the master as well as to the slave.

The important inquiry then is, does the saving accomplished through the forced frugality of slaves equal the losses occasioned by the paralizing effects of slavery on the sources of production? A complete determination of this question, on purely theoritic grounds, would require a more extended consideration of the subject than it is deemed necessary to enter upon. The question can be determined with sufficient accuracy by a much shorter method. Indeed, if I have not over-estimated the losses incident to the slave system of production, the question

is already answered; for, according to that estimate, if slaves should consume nothing at all, their abstinence would not compensate for those losses, as may be demonstrated in a single sentence. For example: A community in which slavery exists will produce no more than half the quantity of wealth that an equally numerous community of freemen will produce; freemen constitute more than one half of the gross population in most if not all of our slaveholding states; therefore, if the freemen of that section should engross the entire wealth produced there, they would even then be poorer, as a body, than the freemen of the non-slaveholding states, or rather, they would have less revenue at their command, less wealth to consume. But they are not the sole recipients of the wealth produced there. Instead of engrossing the whole, they merely monopolize the profits. Their slaves are neither obtained nor supported without cost. They are not even furnished, as they formerly were by African traders, at the cheap rates of stolen goods, the article being now contraband with us; nor can they subsist on the wind. On the contrary, they are reared, lodged, clothed, fed, and reproduced, out of the products of their own labor. With this unavoidable abatement, therefore, the mean revenue of the freemen of that section must be vastly less than ours.

This reasoning would be perfectly sound, and the demonstration complete, provided mankind were the only consumers of wealth. Such is not the case, however. Productive capital in all its forms, as well as in the anomalous form of slaves, is a great consumer. Under the free system of production, where there are four prime agents, its creation, repair and renewal, absorb, as I have shown in a former chapter, just one-third of the cost ele-

ment of value, which is nearly equal to one-third of all the wealth produced, because the profit element of value is a mere trifle compared with the cost element. Under the slave system of production, where there are but three prime agents—where productive capital includes labor—its maintenance of course absorbs a much larger share of the gross products,—certainly not less than half of the cost element of the whole, and probably not less than two-thirds of that element. Therefore, with this correction of the foregoing deduction, we still find that the economic condition of a slaveholding community must be vastly inferior to that of a community of freemen. Neither the restraints which that system imposes on the consumptions of its victims, nor any other advantages inherent in it, can compensate the proprietary class for a moiety of the injuries which it inflicts on them through its paralization of the sources whence all wealth is derived. Lest, however, I may have over-estimated the extent of these injuries, it may be well to verify the theoretic conclusions arrived at, by a contrast of the respective conditions and natural advantages of the slaveholding and non-slaveholding sections of our country.

Let us then endeavor to ascertain which section enjoys the higher rate of profit and the larger degree of wealth. Judging from such statistical evidences as we possess, it would seem that the average rate of interest, and consequently the rate of profit in general, is about the same in the slaveholding as in the non-slaveholding states; and that the mean degree of wealth belonging to the freemen of the two sections is also about equal, provided we include with the wealth of the southern section the market value of its slaves. But in estimating the relative wealth of a slaveholding and a non-slaveholding

community, it is manifest that we should either exclude from the wealth of the former the market value of human chattels, or include with that of the latter the vastly higher value of its free laborers; for as an element of national wealth, or strength, or prosperity of any kind, the latter are infinitely superior to slaves. Indeed, to render the comparison a perfectly fair one, we should not only exclude slaves from our estimate of wealth, but include them in our estimate of population, because they, like their masters, are human beings, and constitute a part of the population of the states in which they are held. If we were to make an estimate of the relative wealth of the two sections of our country on this basis, (and it is certainly the correct one if we wish to consider the subject in the pure light of republicanism,) we should probably find that the average degree of wealth at the north is not less then five-fold what it is at the south. But since our present object is to ascertain the effects of slavery on the economic interests of the proprietary class, it is incumbent on us, for the purposes of this inquiry, to exclude slaves from our estimate of population, and to class them as property.

According to this basis of computation, how stands the relative wealth of the north and the south? I have said that such evidences as our meagre statistics of wealth afford, seem to indicate something like an equality between the two sections; but I think a closer inspection of the subject will satisfy us that these evidences are deceptive. I believe we shall find the fact to be, that the average wealth of the freemen of the north, although they include the "hewers of wood and drawers of water," (a class which we count as property in the other section,) is much greater than that of the freemen of the south. When we come to scrutinize the matter

closely, we cannot fail to perceive that, with the exception of property in slaves, the south is possessed of but a thin drapery of productive capital,—so thin that with the aid of an abundant and fertile soil, and the cheap labor of slaves, the net profits are so meagre that the proprietary class, although it shares the whole of those profits, is compelled to forego many of the comforts of life, and most of its luxuries. In evidence of this, it may be remarked that the people of that section have but few railroads and canals, nor scarcely a turnpike-road or other highway that can be called passable. The steamboats which navigate their noble rivers, and the ships that visit their sea-ports, are mostly owned either in the free states or abroad. A majority of their merchants are enterprising adventurers from other regions, who have gone there, not with the intention of making it their permanent home, but for the purpose of acquiring a fortune to be enjoyed elsewhere. They have but few mills, and but little machinary of any kind,—even the mechanic arts are scarcely known among them. Most of their dwellings are of the rudest and cheapest kind, with but few barns or other out-buildings, except negro huts. Their lands are but imperfectly prepared for tillage, badly fenced, and wretchedly cultivated; in proof of which, it may be remarked that cotton plantations are often worn out and abandoned before the original forest has been entirely removed from any part of them: the larger trees are not felled, but merely girdled and left standing in their desolation, fit monuments of the blighting effects of the system by which they were despoiled of their native vigor and beauty. They have no accumulation of the products of former years. They have no capital invested in the free states or loaned on foreign securities. They have (comparatively) but few

churches, colleges, or charitable institutions, nor are they well provided with common schools. In a word, they have but little real wealth in their possession; nor is that little their own.

It is well known that the rule by which the south governs her commercial transactions with other sections is, to sell for cash and buy on credit. The merchants of that section make their purchases from northern merchants on a credit of six, eight, or twelve months, and they re-sell to the planters on a similar credit, while the latter invariably sell *their* products for cash. They sell most of their own products, and they get nearly all their supplies from us. Consequently, the south is at all times indebted to the north for nearly one year's purchases, which, of course, is nearly equal to the value of their annual products, and probably fully equal to all the productive capital in their possession, exclusive of slaves. According to this, the people of that section have no real wealth; their only property, exclusive of the property of others held by them, consists of land and slaves. But as we are considering these as genuine wealth, we must place their market value in the balance against the wealth of an equal number of northern freemen. The paucity of their productive capital renders the market value of their land so very low, that it is as nothing compared with the market value of land at the north. I have very little doubt that the land alone, of the north, would command a sum as far exceeding the entire wealth of the south, including slaves, as the population of the north exceeds the free population of the south; besides which, we have productive capital at least equal in value to all our land. According to this estimate, which I feel confident is not more favorable to the north than the facts will justify,

our average degree of wealth is at least double that of southern freemen, including the market value of their slaves.

That this great difference in our favor is solely attributable to the existence of slavery at the south, is evident from the fact that nature has been more bountiful to that section than to this. She has given it a richer soil and a more genial climate, nobler rivers and more luxuriant forests. She has also given it an almost perfect monopoly of the growth of cotton,—a product which no part of the civilized world can now dispense with, and which bids fair, at no distant day, to rival all others in importance. In addition to these rich gifts of nature, our government has conferred on the agriculturists of that section, the benefits of a thirty per cent. duty on imported sugars; which, in practice, amounts to something like an artificial monopoly of the home market for that article. But with all these accumulated advantages, the freemen of that section have less wealth, less security of person and property, and less of every other element of prosperity and progress, than those of the north. Nor does the system afford any compensation for these evils; at least there are none to be found within the province of political economy, and I believe its warmest friends have never maintained that its moral and social tendencies are of a salutary kind. We must therefore conclude that it robs its victims of their dearest rights, and sinks them almost to a level with the brute creation, for no worthier or more beneficent end than that of narrowing the circle of their owner's enjoyments.

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ERRATA.

Page 28, line 28, for "designated" read "*designed.*"
" 37, " 20, for "transferred" read "*transformed.*"
" 85, " 28, for "practicable" read "*practical.*"
" 126, " 15, for "proportion" read "*proposition.*"
" 132, " 5, after the word "rate," insert "*of profit.*"
" 140, " 23, for "unsuccessful" read "*unsuccessfully.*"
" 161, " 11, for "order" read "*odor.*"
" 191, " 33, for "hopeless" read "*hopelessly.*"
" 200, " 1, after the word "have" insert "*shown.*"
" 210, " 29, for "equality" read "*equity.*"
" 216, " 30, for "ration" read "*ratio.*"
" 245, " 14, for "beating" read "*beaten.*"
" 269, " 6, for "qualities" read "*quantities.*"
" 281, " 32, for "$130" read "$150."

Besides which, there are errors in orthography and punctuation, which it is not deemed necessary to notice.

Mr. Opdyke on the Currency.

To Hon. S. P. Chase, Secretary of the Treasury:

DEAR SIR: In compliance with my promise, I embrace the first leisure hour since meeting you in Washington, to submit the reasons which induce me to favor the emission of one hundred and fifty millions in fundable Treasury notes, without interest and to be made a legal tender in payment of debts.

In the first place, I believe this measure to be indispensable to the maintenance of the credit and honor of the Government. Unless its heavy floating debt shall be paid with reasonable promptitude, and its rapidly-accruing liabilities provided for, it will soon find difficulty in obtaining supplies for the army at any price. The delay of payment that has already occurred has depressed its certificates of indebtedness eight or ten per cent.

How else shall these immediate liabilities be met? Three other modes have been suggested: First, by taxation; second, by the sale of Government stocks to the highest bidders; third, by paying the public creditors in Treasury notes bearing interest, or in stocks. These are the only alternatives that have been proposed, and I know of no other resource, since the Banks have no longer the disposition or the means to take further loans. Let us examine each of these methods.

The first is legitimate, but unavailable. Taxation must be resorted to, and that liberally and promptly; but the proceeds cannot be realized in time or in amount sufficient to meet the present emergency. The second alternative would subject the Government to a heavy loss, and sadly impair its credit. I assume that nothing short of one hundred millions will suffice to meet the wants of Government for the present and immediate future. The floating debt is supposed to be upward of fifty millions already, and it will, doubtless, reach one hundred millions before means of payment can be provided by any of the methods proposed. The public creditors are clamorous for their pay, and are suffering serious inconvenience and loss for want of it. If it is in the power of Government to pay them, good faith and sound policy alike demand that it should do so with all possible promptitude. To throw upon the market one hundred millions of Government securities, to be sold to the highest bidders, in the present condition of [illegible] with the credit of Government weakened by [illegible] wants, the market already ov[illegible] capital avail-

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gold and silver coin, its average in all commercial countries is, as the statistics of money prove, about twenty dollars *per capita*, this being the quantity required, at the present cost of producing the precious metals, to make the exchange of money for other commodities an exchange of equivalent or equal values. If the quantity were greater or less, it would not be a true measure of values. If the money consist of coin and convertible paper, the aggregate quantity will still be twenty dollars *per capita*, because the paper will drive out of circulation an amount of coin equal to itself. So, if it consist of coin, convertible paper and legalized irredeemable paper, its aggregate will still remain the same, since the latter will expel of the other two an amount equal to its own issue. Hence, Government paper money, made a legal tender, might be issued to the extent of $20 *per capita*, without danger of ultimate debasement of the currency; and if the amount could be kept within that limit, it would be the best and most uniform currency ever known. The danger and the mischief are in transcending the limit of $20 to one of population, which is the proportion that the laws of trade award when the currency consists of coin, or of coin and convertible paper.

Estimating the population of the loyal States at 20,000,000, we need a currency of $400,000,000. Prior to the late bank suspension we had of coin, bank deposits and bank circulation, about that amount. It is now much less, because the suspension at once banished most of the coin from circulation, and also diminished the circulation of bank notes. This leaves a fitting opening for Government paper money. It is needed to fill the existing vacuum. I think nearly $100,000,000 would be thus absorbed without producing any sensible effect on prices or on the circulation of bank notes. The issue of $150,000,000, as proposed, would, however, at first slightly enlarge the currency, and thus enhance prices; but it would be merely sufficient to give a healthy stimulus to business, and thus enable the community with facility and promptitude to pay their debts and the heavy taxes which await them. And even this stimulus would not be of long continuance, for the Government money would ultimately displace an equal amount of coin and bank notes.

Mr. Op
To Hon. S. P. C
De

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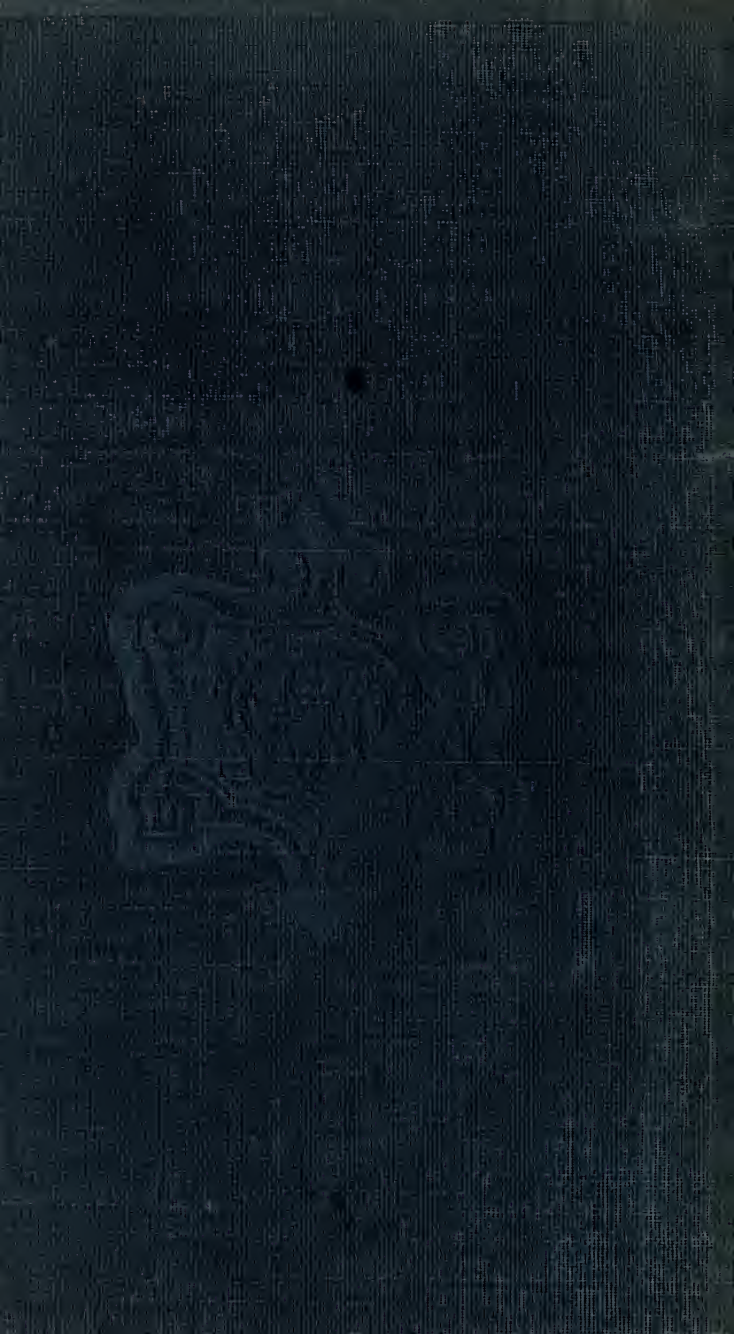
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